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POLICY RESEARCH NOTES: Published by the Economic Research Service, USDA, and the Illinois Agricultural Experiment Station for professionals in Public Agricultural and Food Policy Research, Teaching, Extension, and Policymaking.

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INTRODUCTION

Two quotes highlight current policy developments: Secretary Block told the South Dakota Agriculture Conference on March 26: "He [President Reagan] reiterated his firm belief that a thriving agricultural economy means jobs for millions of Americans...[and helps] ensure worldwide economic security. In keeping with those goals, he charged the Cabinet Council on Food and Agriculture--which I chair--to conduct a comprehensive review and assessment of current food and agriculture programs." Congresswoman Ferraro opened on April 27 the national public hearing on agriculture and food by the Democratic Platform Committee as chair with: "The members of this Committee come from every area of this country, from farming regions as well as industrial regions. We are here because agriculture is our single largest industry, because its prosperity is vital to all of us, and because today, agriculture is in trouble."

The agricultural and food policy dialogue for 1985 is important, intense, and controversial. Professional policy workers have and hopefully will contribute through 1985--but also in future policy far beyond--and are visible currently in innumerable activities, many reported herein.

Policy Research Notes is distributed to provide a communication linkage among these policy workers. It is circulated on a May and November schedule each year. Requests for copies of earlier issues of these Notes, comments or suggestions about them, and proposed contributed articles may be sent to either address below.

CONTENTS

Policy Research Notes is a cooperative effort of the Illinois Agricultural Experiment Station and USDA-ERS. The Notes are prepared by R. G. F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, University of Illinois, Urbana, Illinois 61801, and James A. Zellner, Food and Agricultural Policy Branch, ERS, 500 12th Street, S.W., Washington, D.C. 20250.

ANNOUNCEMENTS

Program for Annual NPPEC Developed

The 34th Annual National Public Policy Education Conference will be held September 24-27 at Airlie House, Airlie, VA. This annual conference is sponsored by the National Public Policy Education Committee (NPPEC) which is recognized by ECOP and supported by Farm Foundation.

The keynote topic will be the federal deficit, its impacts on the economy and agriculture, and the policy alternatives and their consequences. Another session will analyze initiatives to limit taxes and public spending, explore support of, and resistance to, these proposals, and illustrate how Government agencies and groups have responded to such initiatives. Another half day will focus attention on water quality, development and allocation; the perspectives of competing water users; and the policy options available to state and local Government.

The effects of alternative food and agriculture policies on income and wealth distribution will be the subject of an afternoon session. The final morning will be spent reviewing successful public policy efforts in three concurrent methodology workshops, and will conclude with a look at the practical aspects of politics and budget trade-offs.

For further information, contact the Farm Foundation or the Public Affairs Specialist in your State.

New Policy Newsletter Launched in ES, USDA

A new quick turn-around newsletter for workers in agricultural, food and natural resources policy has already appeared in four releases. Its purpose is to keep policy workers up-to-date on conferences, workshops, seminars, publications, new legislation, and policy announcements. Professionals on the mailing list for the Policy Research Notes should be receiving the new newsletter.

For further information, contact Roy R. Carriker, Public Policy Specialist, (IPA) Extension Service, USDA, Room 5509, South Building, Washington, D.C. 20250. (202)447-4341.

Resident Fellowship and Small Grant Program in Policy Announced by RRF

The National Center for Food and Agricultural Policy at Resources for the Future has established a resident fellowship and small grant program in food and agricultural policy to support policy analysis and communication projects that deal with issues of National significance involving agriculture and its relationships with international trade and foreign affairs, food and nutrition, natural resources and the environment, or domestic economic affairs.

For further information about these programs, contact Kenneth R. Farrell, Director, National Center for Food and Agricultural Policy, Resources for the Future, 1755 Massachusetts Avenue, N.W., Washington, D.C. 20036.

Second Farm and Food System in Transition Publications Released

The second eight leaflets have now been published from the National Cooperative Extension Project on "The Farm and Food System in Transition." (See Policy Research Notes, December 1983 for announcement of earlier issues). They are part of a series of 63 papers designed to provide a comprehensive discussion of the U.S. farm and food system and related public policy issues expected to be on the agenda for the 1980's. Titles of this second installment of papers are:

9. Sorenson, Vernon L. International Food Policy and the Future of the Farm and Food System.
10. Brake, John R. Financing Agriculture in the Future.
11. Frederick, A. O. and Spitze, R. G. F. The Future of Farm Price and Income - Support Programs.
12. Henderson, Dennis. Farm Product Assembly Markets in the Future Farm and Food System.
13. Shaffer, James D. and Stallman, Judith I. Domestic Food and Nutrition Programs: Sorting out the Policy Issues.
14. Boynton, Robert D. and Novakovic, Andrew M. The Role of Milk Marketing Orders.
15. Butler, L. J. and Schmid, Alan A. Genetic Engineering in the Future of the Farm and Food System in the U.S.
16. Rasmussen, Wayne D. and Hildreth, R. J. The USDA-Land Grant University System in Transition.

The leaflets are planned for use individually or as sets by readers with specific interests and as a total collection for those seeking a general understanding of the system. Reproduction in whole or part, or adaptation for a specific audience, is encouraged as long as the project and authors are properly cited.

Sponsors of this ambitious project are the Extension Committee on Policy (ECOP), USDA- Extension, Michigan State Cooperative Extension Service, and the State Cooperative Extension Services. For individual copies of the above papers or further information about this project, contact the Project Director, Jim Shaffer (other directors and Editors: Vern Sorenson and Larry Libby), Department of Agricultural Economics, Michigan State University, East Lansing, MI 48824-1039.

League of Woman Voters Schedules Policy Conference

"Agriculture's Stake in World Trade," is the theme of a LWV's Conference, August 23-24, 1984, with the first day in Moline, IL and the second day in Davenport, IA. The Conference includes sessions on Impacts of Fiscal and Monetary Policies, Trade Policies on LDC's, Food as a Policy Instrument, Resource Concerns, and Interrelationships Between Farm Programs and Exports.

For further information, contact Mona Martin, League of Woman Voters Conference, 1504 West 29th Street, Davenport, IA 52804.

California Policy Conference Program Finalized

The program for a policy conference previously announced (Policy Research Notes, December 1983) is being held June 11-12, Berkeley, CA, with the theme, "Alternative Agricultural and Food Policies and the 1985 Farm Bill." Sponsored by the Giannini Foundation and the National Center of Food and Agricultural Policy of RFF, the conference brought together scholars and experts from Government and the private sector to discuss the impact of several different 1985 farm bill scenarios on the agriculture and food sector.

For further information and availability of proceedings, contact Donna Fadley, Department of Agricultural and Resource Economics, University of California, Berkeley, CA 94720.

Curry Foundation Holds National Agricultural Policy Conference

As part of the Curry Foundation's program (see Policy Research Notes, December 1983, for earlier announcement) to focus national attention on prospects of developing a coherent general policy for American agriculture, a conference was held May 21-22 in Kansas City for agricultural, business, public interest, political, and scholarly leaders. It was cosponsored by the University of Missouri at Kansas City, Monsanto, Mobay Chemical Corporation, First National Bank of Kansas City, Powell Family Foundation, and the Farm Foundation. Two papers synthesizing an earlier set of background materials and discussions are the focus of this conference, followed by a final position publication scheduled for July, 1984.

For further information about this effort and available materials, contact the Curry Foundation, 2100 M Street, N.W., Washington, D.C. 20037.

Minnesota Policy Conference Program Announced

"The North American Granary: Adjusting to Change in an International Setting" is the theme for a policy conference held at the University of Minnesota, June 17-19, 1984. Sponsored by the Hubert H. Humphrey Institute of Public Affairs Department of Agricultural and Applied Economics, this Conference is the first in a series to be organized under a project, "The Future of the North American Granary," just launched as a coordinated effort by these institutions. Topics at this Conference included: An International Perspective; Climate Change; Views of American Farm Policy from Washington, D.C.; Resource Constraints; and Technical and Institutional Innovation. Participants are from business, Government, and universities.

For further information about this conference and the availability of its papers, contact C. R. Runge, Project Director, Department of Agricultural and Applied Economics, 231 Classroom Office Building, 1994 Buford Avenue, St. Paul, MN 55108.

New Project on Selection of Agricultural Research Goals Announced

"Ethical and Value Choices in the Selection of National Agricultural Research Goals" is the title of a new project conducted under a grant from the Ethics and Values in Science and Technology Program, National Science Foundation, National Endowment for the Humanities. The project will attempt to develop a broader

framework for the evaluation of agricultual research by making more explicit the underlying ethical and value assumptions and choices contained in current and proposed approaches.

Objectives of the project include: (1) develop better concepts and data bases to evaluate a number of the externalities associated with agriculture; (2) a broad review of the ethical, social, and political values and goals associated with agriculture and agricultural research; (3) examination of the larger setting of U.S. agriculture. Work will proceed with a team of fourteen humanists, social scientists, and natural scientists. Two workshops have already been held with another planned for September, 1984.

Inquire about this project and publications from project director, Kenneth A. Dahlberg, Department of Political Science, Western Michigan University, Kalamazoo, MI 49008.

North Central Policy Research Project Underway

Progress reports were given by representatives of most of the eighteen participating Universities and USDA at a March 1984 meeting of NC-169 Regional Policy Project, "Analysis of Food and Agricultural Policies in an Uncertain Economic Environment." Among specific research efforts underway are: different bases for loan/target price levels; export subsidy instruments; buffer stock options; alternative policy options for 1985; farmer supply responses; food demand assessment for 1985; and several primary surveys including farmer experiences with PIK, farmer preferences for 1985 policy in several states, and National policy leaders/interest group views about future agricultural and food policy. Another meeting of participants will be held prior to the AAEA meetings, Cornell University, August 4, 1984.

For further information contact Marshall Martin, (Technical Committee Chairman), Department of Agricultural Economics, Purdue University, West Lafayette, IN 47907, or R. G. F. Spitze (Vice-Chairman), 305 Mumford Hall, 1301 West Gregory Drive, University of Illinois, Urbana, IL 61801.

POLICY RESEARCH NEWS ITEMS

Long-Term U.S. and Global Agricultural Assessment

The National Center for Food and Agricultural Policy at Resources for the Future has completed an assessment of the long-term needs for global and U.S. food, fiber, and forest industries. Emphasis was given to the availability and use of natural resources, the role of science and technology, and the effects on environmental quality.

Inquire about this assessment program from Kenneth R. Farrell, National Center for Food and Agricultural Policy, Resources for the Future, 1755 Massachusetts Ave., N.W., Washington, D.C. 20036, and request a summary article in the Spring, 1984 Resources that highlights a complete report on this project, or request a copy of the complete report itself (may be a charge) from Kent Price, RFF, 1755 Massachusetts Ave., N.W., Washington, D.C. 20036.

Joint International Committee Studies Restrictive Trade Policies

During the last week of April, the OECD Joint Working Party, Agriculture - Trade, together with the Working Parties for Agricultural Policies and Markets, met in closed session in Paris to discuss trade restrictive measures and to review country reports on Canada and Australia. These deal with policy measures affecting agricultural trade in these countries. This research is authorized under the OECD's Mandate on Agricultural Trade. The US and EEC reports, as well as trade models, will be discussed in closed meetings later in 1984.

Inquire about these meetings and reports from F. R. Baker, OECD - Agriculture, 2 rue Andre Pascal, 75016, Paris, France.

Agricultural Export Subsidies

This research focuses on the economics of export subsidies on the major agricultural products exported by the United States. It attempts to answer the questions of: What are the costs and benefits? What are the economics of targeting export subsidies only to selected importers?

Inquire about this research and request a copy of a related paper, "The Economics of Targeted Export Subsidies," May 1984, from Jerry A. Sharples, ERS-USDA, Department of Agricultural Economics, Purdue University, West Lafayette, IN 47907.

Calculating International Monetary Values for Trade and Policy

This inquiry considers a calculation method for monetary compensatory amount and green rates as applied in the Common Agricultural Policy of the E.E.C. It details principles and sectors for which MCA's are applied.

Inquire about this and a related paper, "Method used for Calculating Agrimonetory Matters", from A. Leenders, Waardbeebdrief 20, B-1850 Grimbergen - Belgium.

OECD Trade Patterns

This research concerns the agricultural trade between developing and developed countries and considers the policy implications. An analysis is made of the trends and flows in the two-way OECD-LDC agricultural trade for the period 1972-80. It also examines the consequences of this evolution for policy makers in OECD member countries.

Inquire about this research from F. R. Baker, OECD-Agriculture, 2 rue Andre Pascal 75016, Paris, France, and order (charge of about $20.00) a copy of the related publication, Agricultural Trade with Developing Countries: Trends and Policy Publications, by Ray Baker, May 1984, from OECD Publications Center, Suite 1207, 1750 Pennsylvania Avenue N.W., Washington, D.C. 20006.

Research on North American Granary Launched

A coordinated program of research and public education devoted to the future of the North American granary is being launched by the Hubert H. Humphrey Institute

and Department of Agricultural and Applied Economics, University of Minnesota. The program has four key research and education components:

1. The impact of international forces on domestic agricultural production in the U.S. and Canada, including exchange rates, monetary policy, and diplomatic pressures.

2. The role of climate change in future agricultural productivity, including prospects for drought and shifting yield patterns in the Great Plains.

3. The soil, water, and other resource constraints which will affect grain production and productivity in the next quarter-century.

4. The key technical and institutional strategies necessary to reduce these risks, and the relationship between public and private sector initiatives in their reduction.

For further information about this new policy research effort, contact C. R. Runge, Project Director, Department of Agriculture and Applied Economics, 231 Classroom Office Building, 1994 Buford Avenue, St. Paul, MN 55108.

Papers on Rural Development, Poverty, and Natural Resources

The National Center for Food and Agricultural Policy at Resources for the Future examined issues and policies in a workshop on Rural Development, Poverty, and Natural Resources. The papers commissioned for the workshop covered broad issues of rural development, resource ownership and use, the distribution of income and wealth, the incidence of poverty, and linkages to natural resources.

Inquire about this workshop from Kenneth R. Farrell, National Center for Food and Agricultural Resources, Resources for the Future, 1755 Massachusetts Avenue, N.W., Washington, D.C. 20036, and request copies of these papers as Rural Development, Poverty and Natural Resources, Workshop Paper Series ($16.00 per set of 10 papers or individual papers for charge of $3.00-5.00), from Irma Elo, RFF, 1755 Massachusetts Avenue, N.W., Washington, D.C. 20036.

Surveys on Current Policy Issues

Agricultural economists in seventeen States are conducting surveys among farmers during the Spring of 1984 to find out their views on current policy issues that will be debated as 1985 Farm program legislation is developed. Participating States include: Washington, Idaho, South Dakota, Nebraska, Kansas, Oklahoma, Texas, Alabama, Florida, South Carolina, Maryland, Ohio, Indiana, Michigan, Wisconsin, Minnesota, and Illinois. A composite report of the findings will be prepared at the University of Illinois.

Inquire about this survey, and upcoming reports from the project coordinator, Harold D. Guither, 305 Mumford Hall, University of Illinois, 1301 West Gregory Drive, Urbana, IL 61801.

Policy Options for Crop Price-Support Programs

This analysis, requested by the Joint Economic Committee, is intended to assist the Congress in examining policy options for the 1985 farm program legislation. It analyzes limitations of crop price-support programs in achieving policy goals and examines alternative stabilization and income-enhancement policies for the agricultural sector.

Inquire about this and a related publication, Crop Price - Support Programs: Policy Options for Contemporary Agriculture, CBO, February 1984, from, Andrew S. Morton or James G. Vertrees, Congressional Budget Office, House Annex 2, 2nd and D. Street S.W., Washington, D.C. 20515.

No Net Cost Tobacco Program Act of 1982

Large supplies of flue-cured tobacco and steady or declining use caused USDA to reduce the basic tobacco quota 11.5% for 1984. The Dairy and Tobacco Adjustment Act of 1983 maintains the flue-cured support for 1984 the same as in 1982 and 1983. This review summarizes the decisions affecting the 1984 crop. Possible actions affecting the 1985 crop are also considered.

Inquire about this review and request copies of related speeches, "Flue-cured Tobacco Outlook & Situation & Quota Options - 1985" and "The Tobacco Program in 1984," from the author, Robert H. Miller, Room 3741-South Building, ASCS-USDA, Washington, D.C. 20250.

Survey Among Interest Group Leadership About Policy

A systematic survey is getting underway of leaders of national interest groups concerning future agricultural and food policy. They will be questioned confidentially about their views on problems needing public attention, adequacy of existing policy, and preference on future policy. This research is a cooperative effort among several participants in the NC-169 regional policy project.

Inquire about this study from the coordinator, R. G. F. Spitze, Department of Agricultural Economics, 305 Mumford Hall, 1301 West Gregory Drive, University of Illinois, Urbana, IL 61801.

Seminars Explore Future US Agricultural Policy

A series of seminars have been held in the Department of Agricultural Economics at the University of Arizona to explore the issues and policy alternatives under the theme, "U.S. Agricultural Policy--1985 and Beyond." Fifteen scholars were invited to participate in the workshop sessions, and a proceeding of their presentations is planned.

Inquire about this and order (charge of $5.00) a copy of Proceedings of Agricultural Economics Seminar Series 1985 from Jimmye S. Hillman, Department of Agricultural Economics, College of Agriculture, University of Arizona, Tucson, AZ 85721.

Eleventh Seminar Series Looks at Issues After PIK

"United States Farm Policy in a World Dimension" was the theme around which several presentations were focused in the eleventh seminar series on Agricultural Marketing and Policy at the University of Missouri. Discussions centered on U.S. agriculture, agricultural trade, and farm policy.

Inquire about availability of the proceedings (Special Report 305) from Harold F. Breimyer, Department of Agricultural Economics, University of Missouri, Columbia, MO 65211.

Impacts of Changes in Transportation Policy on Structure of Cereal Agriculture in Alberta

Freight rates for Canadian grain moving to export have been fixed by statute since 1897. The statute was changed in 1983 to allow rates to approach cost compensatory levels by 1990, or the range or $35-$50 per ton from the current $5.00 per ton. This study, lasting one year to April 1984, attempts to predict the effect of farm structure and to develop policy implications within the Provincial jurisdiction.

Inquire about this study from L. P. Apedaile, Department of Rural Economy, University of Alberta, Edmonton T6G 2H1.

Journal Addresses Agricultural Commodities, International Trade, and Policies

The second issue of the new *Journal of Agribusiness* contains nine solicited papers on agricultural commodities, international trade and policies. These papers address: International trade from the perspective of an industry and trade agency; a major exporter and a major importer; the trade policy and prospects from the perspective of the U.S. Department of Agriculture; export programs of the U.S. Department of Agriculture; protectionism in international trade and the importance of international trade to agriculture.

Inquire about availability of this *Journal* issue (February, 1984) from Joseph C. Purcell, Department of Agricultural Economics, Georgia Experiment Station, Experiment, GA 30212.

Assessing the Economic Effects of Air Pollution on Agriculture

This study investigates the economic effects of air pollution on U.S. agriculture. Ambient air pollution, particularly ozone, has been shown to reduce yields of major crops by ten percent or more. This study is funded by USEPA to measure the social benefits of alternative air pollution control policies. The research is based on a large scale programming model of agriculture and incorporates recent plant science data on crop responses to pollution. Preliminary reports suggest substantial benefits from more stringent Federal pollution control policies, with most benefits accruing to consumers.

Inquire about this study and request a related article, "Assessing the Benefits of Alternative Oxidant Standards on Agriculture: The Role of Response Information," *Journal of Environmental Economics and Management* (forthcoming), from, Richard M.

Adams or Bruce A. McCarl, Department of Agricultural & Resource Economics, Oregon State University, Corvallis, Oregon 97331.

A Study of Water Issues Along Texas/Mexico Border

This study considers a variety of water resources planning issues in the Rio Grande/Rio Bravo basin. These include: Availability of surface water along the Texas/Mexico border; surface water quality; groundwater aquifer water quantity and quality; population characteristics, trends, and implications for water use; water-use statistics by sub-basin, use category, and water source; water supply and water treatment issues; wastewater management; water related disease and health; and water-use forecasting.

Inquire about this study and request a related report, "The State of the Rio Grande/Rio Braveo: A Study of Water Resources Issues Along the Texas/Mexico Border", from David Eaton, University of Texas at Austin, LBJ School of Public Affairs, Drawer Y. University Station, Austin, TX 78712.

Policy Model for Explaining Quarterly Cow Numbers and Production Per Cow

In this investigation, a simple model is used to explain relationships affecting the quarterly number of cows and milk production per cow in the U.S. The results show that to change milk production to a downward trend through policy, milk prices would need to decrease $1.00 or more per cwt., feed prices increase $1.50 or more per cwt., and beef prices increase $5.00 per cwt. or more.

Inquire about this investigation and request a copy of a related publication, Relationships Affecting the Forecasts of Milk Production in the United States, GA Expt. Station, Bull. 360, December 1983, from the author, Dale H. Carley, Department of Agricultural Economics, Georgia Experiment Station, Experiment, Georgia 30212.

Food and Agricultural Policy Information Project

The Food and Agricultural Policy Branch, NED/ERS, is making agricultural policy information available via a computer bulletin board in preparation for the coming Farm Bill debate. Policy analysts located throughout the United States are invited to participate. The FAP Bulletin Board contains the following, continuously updated material:

1. AG a.m: A brief (2-page) daily summary of news events.

2. Press Releases: Policy or decision-oriented press releases issued by USDA.

3. Bills/Laws/Tracking: Bills and laws introduced or passed by the Congress relative to agricultural policy. Certain bills are tracked through the legislative process.

4. Legislative Hearings: Listingg of Scheduled House and Senate Hearings.

5. Recent Publications: Publications with a policy or program orientation.

6. The Week Ahead: A short summary of what is expected in the coming week as well as what has happened in the past week.

7. USDA Decisions: A monthly update of the major food and commodity decisions made by USDA.

8. User Input: Designed to allow users to input items of interest relative to the agricultural policy process.

Users of the system are earnestly encouraged to submit Farm Bill and related materials. The system is only available to one user at a time, however, considerable effort will be made to ensure each user time on the system. Following are instructions to guide you through each step of the process. The system is available 24 house a day, 7 days each week with the exception of from 8:30-9:30 am Eastern time for updating. While it can be called by most computers and dumb terminals, it is not compatible with the TI Silent 700.

The bulletin board (BSS) telephone number is (202) 475-5120. Calls can be accepted at either 300 or 1200 baud. Set the duplex at full. The other transmission parameters are 8 data bits, no parity (or even if it must be on) and one stop bit.

When you call, this is what appears first on the screen. User responses are circled.

```
IBMPC-IBBS  Version 3.25   03/03/84
11:16:15 Eastern Daylight Time  TUESDAY 06-12-1984
(C) System Software Services (1984)

[Use CONTROL-K To Bypass The BULLETIN Stuff]

                    WELCOME TO VERSION 3.25 OF
                           IBMPC-RBBS

                This is being presented to you by the

                 Food and Agricultural Policy Branch

                  Economic Research Service, USDA

     Voice phone # is (202) 475-5121, if you have any questions.

                      (Contact Reenie Forester)

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   The bulletin board is up 24 hours a day, seven days a week
   except from 8:30 am to 9:30 am Eastern Daylight Time.

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(Prompting bell means system is ready for input).

What is your FIRST name ?jack
What is your LAST name  ?frost

Checking user file...

Where (City,State) are you calling from ?DULUTH, MN

Hello JACK FROST from DULUTH, MN

Is this Correct ?YES

User Logon Password.

To help protect confidential data, you may now specify
a 4-character password to be used with your name. Whenever
you call, it will be necessary for you to enter the password.
This will prevent anyone else from signing on with your name.

This is an optional feature. Do you want to use a password?  (Y/N) --->N

OK, no password for you. If you change your mind later, use the C option.

This checking is only done the first time you call.


Logging JACK FROST to disk...
```

The main menu, below, offers the two functions of the BBS, messages and file transfer. There is also sometimes a survey of the users. If you get double characters when you type in a command, select (D) on this menu to toggle off the echo. This problem can be avoided by logging on at full duplex. (G)oodbye will log you off.

```
Checking Message File...........

Sorry, JACK, You have NO messages waiting

IBMPC  B B S   MENU

Date Of Last Call =   NONE

Choose ONE of the following functions:

Time On System -  1 minutes
MESSAGE SYSTEM  ------> M
FILE  TRANSFER  ------> F
CHANGE PASSWORD ------> C
LOGOFF          ------> G
TOGGLE EXPERT MODE ---> X   (Short Menus)
TOGGLE ECHO     ------> D   (Currently ECHO From BBS)

Enter Your Choice ---->F


Loading File Transfer Module.......
```

The FILE TRANSFER Menu offers commands to list out available files to download, by directory, and upload and download commands. There are help files here and at most places in the program where you would have questions. Again, you can log off from here or switch to the main menu or the message system.

```
F I L E   T R A N S F E R   F U N C T I O N S


Choose One Of The Following Options:
```

```
Time On System -  1 minutes
CURRENT DIRECTORY = ALL
Directory Of Files To Transfer       (List) ----> L
Change Directory (by file types)   (Change) ----> C
Transfer A file  TO  This System   (Upload) ----> U
Transfer A File FROM This System (Download) ----> D
Search For A String in the File List (Scan) ----> S
New Files Since Your Last Call       (New ) ----> N
Information on These Features        (Help) ----> H
Toggle Expert mode (short menus)   (eXpert) ----> X
Logoff The System                 (Goodbye) ----> G
Message Subsystem                    (Msgs) ----> M
Quit This Section - Return to MENU   (Quit) ----> Q

ENTER YOUR FILE TRANSFER CHOICE                 ----> L
```

The (L)ist command prints out all the files available for download. The files are all placed in directories by subject matter. The directories can be printed by the (C)hange command and each can be listed separately.

```
--> FILE   TRANSFER   LIST   (Newest First) <--

Use Ctl-S to Pause,  Ctl-K to Abort.

AG6-12      - 6-12-84   AG AM -- DAILY NEWS SUMMARY                  6666
AG6-11      - 6-11-84   AG AM -- DAILY NEWS SUMMARY                  5991
AG6-8       - 6-8-84    AG AM -- DAILY NEWS SUMMARY                  6611
AG6-7       - 6-7-84    AG AM -- DAILY NEWS SUMMARY                  6661
AG6-6       - 6-6-84    AG AM -- DAILY NEWS SUMMARY                  6544
6-7A        - 6-7-84    1984 PEANUT SUPPORT LEVELS BY TYPE           2936
6-7B        - 6-7-84    WILDERNESS FIRE MANAGEMENT  COMMENTS         2112
6-7C        - 6-7-84    1985 FEED GRAIN PROGRAM COMMENT PERIOD       3198
6-7D        - 6-7-84    1984 BARLEY/RYE/SORGHUM LOAN RATES           1458
6-6A        - 6-6-84    1985 RICE PROGRAM COMMENTS REQUESTED         1555
6-6B        - 6-6-84    1985 COTTON PROGRAM COMMENTS REQUESTED       1599
HR4072      - 4-10-84   AGR PROGRAMS ADJUSTMENT ACT P.L. 98-258      7617
LEGTRK      - 6-7-84    LEGISLATIVE TRACKING - SELECTED BILLS         888
BILLSAPR    - 5-1-84    AGRICULTURE-RELATED BILLS 3/21 - 4/30        2000
PUBSLIST    - 4-3-84    RECENT POLICY PUBLICATIONS                  28300
HRGSCHED    - 6-12-84   UPCOMING SENATE AND HOUSE HEARINGS            650
WKAHEAD     - 6-12-84   DETAILED UPCOMING HEARING INFORMATION        8000

** END OF LIST  - PRESS ENTER TO CONTINUE **
```

You must know the exact file name to download it. File name appears on the left in the transfer list, followed by the date it was entered, a brief description of the file and the file size on the right. Always use (A)scii for the file transfer mode.

```
F I L E   T R A N S F E R   F U N C T I O N S

 Choose One Of The Following Options:

Time On System -  1 minutes
CURRENT DIRECTORY = ALL
Directory Of Files To Transfer       (List) ----> L
Change Directory (by file types)   (Change) ----> C
Transfer A file  TO  This System   (Upload) ----> U
Transfer A File FROM This System (Download) ----> D
Search For A String in the File List (Scan) ----> S
New Files Since Your Last Call       (New ) ----> N
Information on These Features        (Help) ----> H
Toggle Expert mode (short menus)   (eXpert) ----> X
Logoff The System                 (Goodbye) ----> G
Message Subsystem                    (Msgs) ----> M
Quit This Section - Return to MENU   (Quit) ----> Q

ENTER YOUR FILE TRANSFER CHOICE            ----> D

ENTER *FULL* NAME OF FILE TO BE TRANSFERRED ----> HRGSCHED

Xfer Time  1  minute(s)  12 sectors   1524 bytes

--> F I L E   T R A N S F E R   M O D E <--
```

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Choose the transmission method for the file transfer:

STRAIGHT ASCII  Transfer  ---> A
XMODEM Protocol Transfer  ---> X
QUIT (Exit File Transfer) ---> Q

Please Specify Method      ---> A

** PRESS YOUR ENTER KEY TO BEGIN **
H/S   Committee              Subject                                 Rm      Date  Time
H   Agriculture          Review USDA biotechnology research   1302 LHOB 6-6    1:30
S   Agr.Nutr.& For.      Markup S. 1300  REA                    SR 328A  6-7   10:00
H   Agriculture          Review priority setting processes    1302 LHOB 6-7    9:30
H   Agriculture          Review 1985 Farm Bill Issues   La Crosse, Wisc 6-11   9:30
S   Agr.Nutr.& For.      Tree Farming                          Tupelo, MS  6-11   TBA
H   Agriculture          Higher Ed. Issues, incl. Extension    1302 LHOB 6-12  1:30
H   Agriculture          Review Ag.Res.Serv. planning &other   1302 LHOB 6-13  9:30
S   Agr.Nutr.& For.      S. 1128, Organic Farming               SR 328-A  6-14   9:30
H   Agriculture          Nutr.Research Issues,H.R. #684       2325 RHOB  6-20   9:30
H Sel. Cmte Hunger       Progress in Alleviating Hunger           TBA     6-26   TBA

 F I L E   T R A N S F E R   F U N C T I O N S

 Choose One Of The Following Options:

Time On System -  3 minutes
CURRENT DIRECTORY = ALL
Directory Of Files To Transfer         (List) ----> L
Change Directory (by file types)     (Change) ----> C
Transfer A file  TO  This System     (Upload) ----> U
Transfer A File FROM This System (Download) ----> D
Search For A String in the File List (Scan) ----> S
New Files Since Your Last Call         (New ) ----> N
Information on These Features          (Help) ----> H
Toggle Expert mode (short menus)     (eXpert) ----> X
Logoff The System                   (Goodbye) ----> G
Message Subsystem                      (Msgs) ----> M
Quit This Section - Return to MENU     (Quit) ----> Q

ENTER YOUR FILE TRANSFER CHOICE                 ----> C
 F I L E   D I R E C T O R Y   S E L E C T I O N

 Please Choose One Of The Following Options:

Time On System -  3 minutes
CURRENT DIRECTORY = ALL

AG a.m.                           ----> 1
Press Releases                    ----> 2
Bills / Laws / Tracking           ----> 3
Recent Publications               ----> 4
Legislative Hearings              ----> 5
The Week Ahead                    ----> 6
USDA Decisions                    ----> 7
User Input                        ----> 8
ALL FILES                         ----> 9
RETURN TO XFER MENU               ----> Q

ENTER FILE DIRECTORY CHOICE ---> 2

 3-XFER COMMAND? (U,D,L,C,S,N,H,X,G,M,Q,?)  DIR= Press Releases L

--> FILE   TRANSFER   LIST   (Newest First) <--

Use Ctl-S to Pause,  Ctl-K to Abort.

6-7A          - 6-7-84     1984 PEANUT SUPPORT LEVELS BY TYPE                2936
6-7B          - 6-7-84     WILDERNESS FIRE MANAGEMENT  COMMENTS              2112
6-7C          - 6-7-84     1985 FEED GRAIN PROGRAM COMMENT PERIOD            3198
6-7D          - 6-7-84     1984 BARLEY/RYE/SORGHUM LOAN RATES                1438
6-6A          - 6-6-84     1985 RICE PROGRAM COMMENTS REQUESTED              1555
6-6B          - 6-6-84     1985 COTTON PROGRAM COMMENTS REQUESTED            1599
** END OF LIST  - PRESS ENTER TO CONTINUE **
```

```
Choose One Of The Following Options:

Time On System -  3 minutes
CURRENT DIRECTORY = Press Releases
Directory Of Files To Transfer           (List) ----> L
Change Directory (by file types)       (Change) ----> C
Transfer A file  TO  This System       (Upload) ----> U
Transfer A File FROM This System     (Download) ----> D
Search For A String in the File List     (Scan) ----> S
New Files Since Your Last Call            (New) ----> N
Information on These Features            (Help) ----> H
Toggle Expert mode (short menus)       (eXpert) ----> X
Logoff The System                     (Goodbye) ----> G
Message Subsystem                        (Msgs) ----> M
Quit This Section - Return to MENU       (Quit) ----> Q

ENTER YOUR FILE TRANSFER CHOICE                     ----> X

 3-XFER COMMAND? (U,D,L,C,S,N,H,X,G,M,Q,?)  DIR= Press Releases  M
```

You may read and enter messages in the MESSAGE SYSTEM. (?) for help will answer most of your questions along the way. It is hoped that you will interact with your colleagues across the country as well as with ERS in Washington.

```
IBMPC Remote BBS Message Subsystem
IBMPC-IBBS vers 3.25 (Release Date 03/03/84)
(C) System Software Services (1984)

Active # of msg's:        2
You are caller # :        14
Next msg # will be:       5



 4-Message Function (?=Help)??

Functions supported:
G--> Goodbye (LOGOFF)                  T--> Time on system
E--> Enter A Message                   K--> Kill (Delete) A Message
S--> Scan messages (see below)         R--> Retrieve message
P--> Prompt (bell) toggle              X--> eXpert user mode
Q--> Quick summary                     C--> Comment (Return to Menu)
O--> List OTHER Callers                U--> Display USER list
D--> Toggle DUPLEX (Echo From BBS)     F--> >>>> FILE TRANSFER SECTION <<<<
M--> To MAIN RBBS FUNCTION Menu        B--> Bulletins, Other BBSs, Registration
#--> Display num(s) of msgs for you    Y--> YELL for the SYSOP to CHAT

Commands may be strung together, separated by semicolons.
For example, 'R;123' retrieves message # 123.

For Forward Sequential Retrieval, use  '+' after Msg # (R;123+). only for R
For Reverse Sequential Retrieval, use  '-' after Msg # (R;123-). only for R
For Forward retrieval of messages from the point of your last call, type
   R;#
For Reverse sequential retrieval from the highest message on the system, type
   R;-

For the SCAN function, you may select on SUBJECT, TO or FROM.
by saying  S;1,T=name  where 1 would be the first msg # to start at.
>>>>> MORE? (Y/N)
Use T for TO, F for FROM and S for SUBJECT. (More HELP in that function)

When we ask you to use a C/R, we mean your ENTER KEY (carriage return)

* * * * END of HELP LIST  * * * *

 4-Message Function (?=Help)?X
FULL PROMPT MODE

 9-Function [B,C,D,E,F,G,K,M,O,P,Q,R,S,T,U,X,Y,# (or '?' if not known)]?R;6


Type Ctl-S to Pause, Ctl-K to Abort, or  N  to skip to next Msg
```

```
Msg #: 6
Date : 06-13-1984 15:29:00
From : SYSOP
To   : ALL
About: SHARING INFO

  All users are encouraged to share agricultural policy
  information with other users through this bulletin
  board.  Select (U)sers to see a list of other users.

MSG # ( # - 6, *, ? for help)  to retrieve (C/R to end)


 9-Function [B,C,D,E,F,G,K,M,O,P,Q,R,S,T,U,X,Y,# (or '?' if not known)]?E

Msg # will be:  7

Today is 06-13-1984
TO (C/R for ALL, ESC+C/R to Cancel)?:
Subject (26 chars. max.):              "NEW" COMMAND
Type in up to 30 lines.  A bell sounds near the end of each.
To edit or end, hit 2 C/Rs. Semi-colons are Allowed in the Msg

   !-----------------------------------------------------------!
  1  After the first time you call, use the (N)ew command in
  2  the FILE TRANSFER System to see only the files that have .
  3  been added since your last call.
  4

Choose: (L)ist, (E)dit, (D)elete, (A)bort, (C)ontinue, or (S)ave --> s
Updating summary file, next msg #, active msg's, and msg file.


 11-Function [B,C,D,E,F,G,K,M,O,P,Q,R,S,T,U,X,Y,# (or '?' if not known)]?C


:Comments  are readable only by the SYSOP...
 Want to leave any?Y

COMMENTS TO THE SYSOP ---------->

Type in up to 30 lines.  A bell sounds near the end of each.
To edit or end, hit 2 C/Rs. Semi-colons are Allowed in the Msg

   !-----------------------------------------------------------------------!
  1  In the FILE TRANSFER SYSTEM, you can use the command "S" to
  2  search for a string in the file names.  For example, AG am's
  3  are always listed as AG plus the date, 6-11; eg. AG6-11.
  4  This can be a time saver.  Use the eXpert mode to save time
  5  once you become accustomed to the bulletin board.
  6

L,E,D,A,C,S, or ? --->s

Your Comments Have Been Sent To The SYSOP, JACK .... Thanks.


 15-Message Function (?=Help)?G

The Current Time is ............... 15:44:55 Eastern Daylight Time
You've been on the system for  15 minutes
That leaves you with  165 minutes to go for 06-13-1984


Good Bye JACK,  please call again...
```

The continuation of the FAP Bulletin Board depends to a large degree upon the reaction of those participating. We encourage your comments and suggestions.

ISSUES IN SMALL FARM POLICY

Jerry G. West*

Use of the term "issue" suggests that there are points, questions, or matters about which there is not general agreement. Webster defines an issue as a point in debate on which the parties take affirmative and negative positions. There have been numerous differences relating to small farms in recent years. A recent example is in a paper highlighting the economic inefficiency of the small farm, by Luther Tweeten, and the response to the contrary by Marty Strange of the Center for Rural Affairs in Walthill, Nebraska (10,9). Another example is the controversy about structure in general, and small farms in particular, that occurred when Bob Bergland was Secretary of Agriculture (11,12).

In general, issues in policy arise for at least three different reasons. These include:

1) Value conflicts become obvious, a new objective of economic policy is accepted, or public policy begins to stress a particular objective.

2) The situation may change and become more serious or it may be given more publicity.

3) The programs involved in public policy may become the subject of concern in that the effects may not be what are desired and were expected by the aims of the policies.

The issues debated in U.S. small farm policy during the past decade provide examples of all three of these. Examples of each are provided as an attempt is made to clarify the issues in small farm policy.

Differences in Values and Goals

Much of the debate over policies for small to moderate size farms which has occurred in recent years has it origin in differences in values. Concern over the size distribution of farms and the ownership of the factors of production is often related to attitudes toward such things as growth, efficiency, equity, or equality of opportunity. In some instances, there are differences in the extent to which specific values are held, while in other instances, there are differences in the empirical facts with respect to the realization of these values.

Many of the differences relating to values or goals are related to the definition of small farms. Some view the small farm as one operated by a hobby farmer who has a good paying job off the farm and is merely involved in the farming operation as a tax write-off or for the pleasure of living in the country. On the other hand, there are those who view the small farm as one in which the family derives its sole livelihood from the farming operation and is completely dependent upon farm income for its well-being. In the latter case, the small farm commonly involves both low production and low income. To avoid some of these problems of

*Professor of Agricultural Economics, University of Missouri-Columbia.

definition, it is necessary to recognize the diversity of small farms in the United States. While any classification will have shortcomings, a useful typology is that developed by Buttell (Figure 1).

Recognition of the important dimensions in a typology of small farms is helpful in formulating the hypotheses to be tested by analysis and make it easier to identify goals with respect to small farm policy. Otherwise, it is possible to prove almost any position by careful selection of hypotheses and data to be used in testing them. Likewise, it is difficult to clarify important values or goals because of the different kinds of small farms.

As we consider policy for small farms it becomes obvious that we must identify the types of small farms about which there are concerns. This enables us to analyze the situation, clarify our goals, and examine policy alternatives.

The Changing Situation

Many of the issues in small farm policy can be traced to changes in the situation in agriculture and the economy. Agriculture has become much more heterogeneous in structure while more specialized within each farm. Problems in the efficiency of resource use and in the conservation of those resources have become obvious. Price instability became more of a problem during the 1970s and continues in the 1980s. Likewise, credit has become more critical and the financial situation in agriculture has deteriorated in recent years.

The trend toward less homogeneity in agriculture has been widely documented (13). There is considerable evidence that U.S. agriculture is moving toward a bimodal type farm size distribution with a relatively few very large farms and a much larger number of small farms. Those which would normally be considered small to moderate sized family operations are part of what has been described as the "disappearing middle." The magnitude of the difference between large and small farms is such that it becomes obvious that a given set of policies affects the various size groups differently.

Both the efficiency of resource use and the conservation of resources have been affected by the changes in the size distribution of farms. Small farms, particularly those which are part-time operations, are more likely to have livestock enterprises and be operated more extensively than larger farms which are more likely to be full-time operations. Given the rapid growth in output in U.S. agriculture, an increased prevalence of part-time farms and this relative decline in their production has not been serious. However, it has affected the total agricultural production, reduced the volume of agribusiness firms, and reduced the level of total income attributable to agriculture in many regions. In a few instances, the effects have been just the opposite as small farms attempting to increase their level of farm income, have switched to more intensive enterprises such as vegetables or poultry. The relationship between the size of farm and conservation efforts is one of those empirical questions which has not yet been resolved. The size of farm is so highly related to the region, type of enterprise, and tenure that it is very difficult to separate out the influence of size on conservation.

Agriculture has always been subject to problems of instability. In earlier years much of this instability was attributable to the vagaries of nature and the combination of fluctuating production and an inelastic demand for farm products. In more recent years, specifically the 1970s, variation in the level of exports has become a major contributor to instability. In some ways small farms are less

vulnerable to instability than larger farms because more of their income comes from nonfarm sources. And, this total income relative to debt is generally higher for smaller farms. However, their level of participation in farm programs is typically lower and they do not realize as much of the protection provided by such programs. Their production costs are likely to be higher per unit which means they are typically operating on a smaller margin.

The financial situation in agriculture has deteriorated markedly in recent years (1). High interest rates, combined with inflated prices for land and changes in the mix of assets, have increased the risk exposure for some farmers. While the situation varies considerably among farms, the seriousness of the situation is obvious in a number of indicators. For example, the debt to income ratio is nearly ten times what it was in the early 1950s. A much higher proportion of the assets are fixed and are therefore not available for meeting emergency needs. Declining land prices during the past two or three years also mean that there is less collateral available for security. The significance of the financial situation to the size distribution of farms is not obvious. In general, small farms have a lower debt to total family income ratio which would mean they are less vulnerable. They are more likely to produce livestock, vegetables or other products which are not exported. They may be less susceptible to foreclosure but their smaller operating margins threaten their already low income. However, young beginning farmers are typically highly leveraged and have obviously been among the ones most severely impacted by recent changes. It is also true that farms in a strong asset position are the only ones able to service the debt for expanding the land base under present circumstances.

Finally, changing product and input markets favor the large volume and highly specialized producers in comparison with smaller more diversified farms.

Effects of Current Policies

Analyses of the distributional consequences of public policies have become much more prevalent in recent years. This is particularly true in agriculture as the heterogeneity has become more obvious and as sharp differences in sensitivity to the turbulence in agriculture have been revealed. Some of the programs affecting agriculture were not designed with any specific distributional consequence as an objective. For example, this is true for monetary and fiscal policies as well as many tax policies (2). However, other policies such as those involving price and income support, credit, and research were designed with the stated purpose of preserving or enhancing the viability of the family farm. Whether it was for large or smaller family farms remains an issue in small farm policy.

While the evidence continues to accumulate, it is becoming fairly obvious that public policies affecting agriculture have had distributional consequences. For example, Johnson and Short conclude:

> "Thus, we find that regardless of how distributional consequences are analyzed, the conclusion is the same: agricultural subsidies are unevenly distributed and tend to favor the relatively large producer." (5, p. 920)

Similar results were found in an analysis of tax policy where it was concluded:

> "Generally, tax policy has led to upward pressure on farmland prices, larger farm sizes, incentives for farm incorporation, altered management

practices, and increased use of farmland as a tax shelter by both farmers and nonfarmers." (3,p.i)

These studies, along with those examining the effects of inflation, research, and commodity reserve programs have raised the question as to the extent to which present policies are providing the intended results (7,4,6).

It is not likely that the potential changes in any one specific program could assure the viability of small farms. That is not the real issue. Rather the question is more one of the extent to which changes in programs would enhance their viability. Policies could be tilted to favor smaller farms. For example, redirection of research and extension programs to give more emphasis to small farm problems would not "save the small farm" but evidence suggests that much could be done to improve their situation (14).

A Summary of Issues

Professor Paarlberg suggests that a public policy issue goes through a life cycle including "conception, birth, infancy, adolescence, maturity, senility, death-- and occasionally reincarnation" (8, p. vii). The issues discussed above fall within a number of these categories. Some have just recently become obvious while others died and been reborn. As the situation in the economy changes or as our values change, some of the issues become more or less relevant. The following issues have lasting importance.

First, and perhaps foremost among the policy issues, is the extent to which society desires to maintain an agriculture in which small farms are a viable option. If so, what kind: full time, transitional, or part time? In this instance, as well as with most of the other issues, the same question might be raised with respect to moderate sized family farms. Do we desire to enhance their viability or alternatively would it be better to encourage those farm families living on small farms to leave agriculture? How we resolve this issue will no doubt depend in part on what we perceive to be important values as well as the empirical information available on the benefits and costs associated with small farms. If we conclude they are likely to continue in existence, should we attempt to make them more livable and encourage them to be more responsible in such matters as soil conservation? In considering these questions it is important to include an evaluation of the benefits and costs associated with the upper end of the economic size profile of agriculture as well as the smaller farms. It is also necessary to consider political and social benefits and costs as well as those termed economic.

Assuming the decision of society is that small farms ought to be a part of our agriculture, the second set of issues then concerns their viability. Again there are empirical questions about the consequences of present trends as well as the impacts of public policies affecting small farms. The question basically becomes one of what can be done to help. In what ways can small farmers be assisted to improve their farming operations? Must they depend upon more off-farm income if their well-being is to be enhanced? Can public policies be targeted toward this group?

There is a third set of issues relating to things that might be done for small farms which involve activities other than the farming operation. Given the fact that in many instances resources and the size of the operation are not adequate

for a satisfactory family income, what other policies need to be considered? What kinds of rural development programs are consistent with viable small farms? If a household-family orientation is taken with respect to small farms and if farming is considered as a consumption good as well as a production activity, then improving the situation on small farms and rural development activities become complementary. Consideration of this set of issues avoids choosing between improving small farm operations and encouraging rural development.

Professor Paarlberg further states that; "given some understanding of the policy process, it should be possible to identify an issue fairly early in its life cycle and prepare to cope with it before it reaches full strength" (8, p. vii). This may well be true. However, it appears that many of the issues relating to small farms have already be around for some time and may well be fairly far along in the life cycle. Yet these issues are still worthy of our attention.

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USDA's Review of Existing and Alternative Federal Dairy Programs 1/

by Richard G. Heifner*

The U.S. dairy industry produced about 10 percent more milk during the early eighties than could clear the market at established prices while Government costs for removing the surplus climbed to over $2 billion dollars annually. In searching for a solution policymakers asked the Department of Agriculture through legislation to prepare a dairy program operation report "describing the strengths and weaknesses of existing Federal programs, and the consequences of possible new programs, for controlling or minimizing surpluses of fluid milk and products thereof." The resulting study explored the strengths and weaknesses of existing dairy programs and consequences of possible new programs for the remainder of the eighties. Impacts of programs on economic efficiency, stability, income distribution, adequacy of supply, and other broad indicators of performance are considered. Where feasible, quantitative estimates of the effects of alternative programs on milk production, price, Government costs, and other variables of interest to farmers, industry decisionmakers, consumers, and policymakers are presented. Regional differences in program impacts are described where they can be detected. The study dealt mainly with dairy price supports and milk marketing orders. Supply control and direct payments are also considered. Import controls, cooperative policy, and distribution programs are treated in less detail.

Economics of Milk Production and Use

The ability of market prices to efficiently coordinate activities and the need for government involvement depend in part on the inherent characteristics of milk and its products. In its raw form milk is extremely perishable with a high potential for transmitting diseases. This requires rapid product movement, refrigeration, heat treatment, or other means to prevent bacteriological growth. Its high water content (87 percent) makes transportation costly. The demand for dairy products is affected by a number of factors as well. The demand for dairy products, and fluid milk in particular, is highly inelastic. Milk is high in protein and essential minerals and vitamins and thus is perceived as a high quality source of nutrients. At the same time however, some health concerns exist for milk since it contains saturated fats which may contribute to circulatory diseases in some people.

Milk production occurs through a continuous biological process, creating (among other effects) a need for skilled workers every day of the year. It requires relatively high investment in specialized buildings and equipment along with specialized management skills, especially on large operations. Biological lags in output make supply inelastic in the short run. Seasonal changes in production and demand do not coincide. Joint assembly and hauling exists for most dairy farmers. Many producers sell to relatively few processors.

1/ Based on: "Review of Existing and Alternative Federal Dairy Programs," Economic Research Service, U.S. Department of Agriculture. Staff Report No. AGES840121, Jan. 1984.

*Senior Economist, National Economics Division, ERS/USDA.

Several major changes have occurred in the dairy industry over the last decade. A 5 percent reduction in cow numbers, coupled with a 24 percent increase in milk production per cow, has led to a 20 percent increase in total milk production. Output per labor hour has doubled over the last decade. With population shifts geographic production patterns have changed as well. Growth areas for dairying are the Southwest, Washington, Florida, Louisiana, and Pennsylvania. There have also been significant changes in consumption. Whole milk consumption is down 34 percent, lowfat and skim up 69 percent, butter down 9 percent, American cheese up 25 percent and other cheeses up 55 percent.

Price Supports

Much of the current surplus problem traces directly to price supports being set too high in 1977 for all production to clear the market given the economic conditions that followed. A program which had generated only small surpluses during the seventies, as changed, made dairying an attractive enterprise beginning about 1979. The long-term downward trend in dairy cow numbers ended in early 1980 and numbers have risen since. The surplus has been further aggravated by strong growth in milk production per cow.

Eliminating or Lowering Price Supports

Elimination of price supports was among the alternatives analyzed in the USDA study. If price supports were to be eliminated suddenly, milk prices would likely drop by more than 20 percent in the short run. Many farmers would be forced out of dairying and prices of cull cows and replacement heifers would fall substantially. Cow numbers might well decline temporarily to less than long-term needs. Without supports, price and output fluctuations would be greater. Because of the perishability of their product and the need to move it to market every day or two, dairy farmers are particularly vulnerable to such price uncertainty. This greater vulnerablity associated with no supports would tend to discourage the types of investment that allows milk to be produced at as low a cost as now exists. Thus, a degree of milk price stabilization by Government may actually lower average costs and milk prices to consumers over the long run.

To clear the market under projected economic conditions for the mideighties, it was estimated that real milk prices would need to be 15-20 percent less than 1983 levels. The analysis assumes that other sectors of the economy follow current trends and the lower farm prices are passed on to consumers in the form of lower milk and manufactured product prices. The amount of price reduction needed depends critically upon feed costs, the profitability of other farm enterprises, and off-farm employment opportunities for dairy farmers. If production is to be brought into alignment with use without undue disruption of the industry, changes in support levels should be gradual.

Alternative Support Formulas

Any price support program to stabilize prices or incomes over a period of several years without resulting in surplus stocks must have a mechanism for adjusting the support level for changes in production costs and demand. The parity formula has performed this function for milk, but it has serious shortcomings. For example,

being based on the average of all farmer purchases, it does not adequately reflect dairy feed costs which amount to about 50 percent of milk production costs. The support level was consequently low relative to feed costs in the mid seventies and high relative to feed costs in 1978-82 when the current surplus originated. Second, the current parity formula can translate relative decreases in crop prices into increases in the parity price for milk. For example, if the 10-year average price for grains declines while the price of milk remains constant, the adjusted base price for milk is raised. This may increase the parity price for milk even if the prices paid index declines.

In seeking an improved formula for adjusting support prices over time, three possibilities where suggested in the USDA study. First is the use of an index or formula that specifically reflects milk production costs. Second is the use of an adjustment for increasing productivity. Third is a formula that adjusted the support price up or down depending upon the amount of excess supplies. The best procedure for setting the support price may involve all three. The Secretary of Agriculture needs flexibility, within limits, to make further adjustments as needed.

Supply Control

Supply control involves using some incentive other than lower milk prices to motivate farmers to limit production or marketings. If an effective supply control program could be implemented, it would provide a way to transfer income from consumers to producers at less cost to Government and possibly less net loss to society than Government purchase and disposal. Certain types of supply control would enable some producers to survive who could not otherwise continue under reduced supports.

Quotas

Any supply control program that is to be effective for more than a year or two must employ individual farm quotas or bases. This makes administration of such programs difficult. Quotas take on values of their own with most benefits going to the original quota holders. Rules must be established regarding transfer of quotas and entry into the industry. Unless quotas are transferable, the more efficient producers would be held below their least cost levels of output. High cost producers would be kept in business while new, possibly lower cost, producers would be barred from entry. If quotas were transferable, lower cost producers could enter or expand, but the cost of the quotas would be added investment cost for new producers. Experience with other commodities shows that once started, quota programs are very difficult to terminate due particularly to the vested interests of quota holders.

Despite their disadvantages, supply control programs might serve as temporary measures to bring production into line with use. Some countries have used cow culling payments for such purposes. However, a large portion of such payments go for cows to be culled anyway and, unless controls on cow numbers are imposed, farmers soon rebuild their herds. In this country supply can be controlled more effectively by limiting milk marketings than by limiting cow numbers.

Incentives

Any effective supply control program must provide producers incentives to participate. Paying farmers to reduce marketings below a historical base is one form of incentive. Participation can be voluntary based on a payment for each hundredweight that marketings are reduced, or the refund of an assessment if production is reduced by a specified amount. By combining assessments on production with payments for reducing production, such a program could be self-financing. This approach to supply control is subject to the disadvantages of quota programs listed above.

Another means of supply control is two-tier pricing where farmers are paid one price for a base quantity of milk and a lower price for milk produced in excess of the base. This might be implemented through an assessment on excess production. No direct Government payments to farmers would be required. If the assessment were large enough, the incentive not to exceed the base would be strong. Two-tier pricing has most of the same disadvantages as other supply control schemes. All would limit resource mobility in the industry in order to transfer income from consumers to producers.

Deficiency Payments

Direct payments could be used to compensate farmers for lower incomes due to the lowering of supports or in lieu of supports. However, Government costs for achieving any given level of income support through direct payments on all milk produced would be much greater than through purchase and disposal. Alternatively, direct payments could be made on a specified percentage of historical production on each farm. In this way, any desired amount of income could be transfered to eligible producers with little stimulation of production. Direct payments based on historical production would pose the same types of problems in determining eligibility as do quota programs. Like supply control, direct payments might be considered mainly as temporary measures to compensate farmers for adjusting to lower supports.

Marketing Orders

Current problems with the marketing order program for milk are less pressing than those with the dairy support program. Costs for operating the program are modest. Producers can vote orders out if they choose. Most milk processors appear willing to accept the required recordkeeping and audits in exchange for the stability and orderliness that the orders provide. The main reason for being concerned with milk marketing orders is the possibility that they lead to inefficiences, including excess production in some areas, and that they make fluid milk more expensive to some consumers, or incomes less to some producers, than they would otherwise be.

As the price support program is changed to bring milk production more in line with use, pressures for changing the marketing order program will mount. Producers will look for orders to set higher prices for fluid use to make up for the lower support prices. Producers in the surplus areas will be looking for order changes that help move milk to deficit markets at Class I prices. Calls for changing order provisions to better accommodate reconstituted milk and other technologies will continue.

Pricing Provisions

Pricing under marketing orders is a form of administered pricing combining pricing to processors by use class and paying producers a blend price. Since the minimum differentials between use classes are set ahead of time, much uncertainty about price is eliminated. Administered pricing of milk came into existence because milk producers were especially vulnerable to pricing abuses by processors. Producers' vulnerability is due in large part to the perishability of raw milk and their resulting needs for dependable outlets, combined with fluctuating output, imbalance in size between individual producers and processors, and the small number of processors in each marketing area. Marketing orders assure farmers or their cooperatives operating within an order of equal prices, subject to location differences, thereby lessening the chance of a processor working one producer against another in bidding down the price. Cooperatives are unable to achieve this kind of price assurance without orders because some producers can gain by staying out of the cooperative and making price concessions in order to obtain outlets for themselves, particularly during periods of large supplies. Pricing by use class provides a workable means of administering prices which most sellers and buyers have found acceptable for nearly 50 years. It can be used as a means of raising average returns to producers and costs to consumers by exploiting differences in demand for fluid and manufacturing products. This requires a price difference between milk for fluid use and milk for manufacturing use that exceeds the cost difference in serving the two different outlets. As a means of raising farmers' incomes, such price discrimination has similarities to supply control. Whereas supply control limits quantities available for all consumers, price discrimination, in effect, limits quantities for fluid consumers. Although supply control reduces total production while price discrimination tends to increase total production, both types of programs impose inefficiencies on the industry. And, while effective supply control tends to benefit all producers at the expense of all consumers, price discrimination benefits Grade A producers and manufactured product consumers at the expense of fluid consumers and Grade B producers.

The actual amount by which class price differentials exceed costs, if any, is difficult to ascertain and varies among marketing areas. The fact that pool eligibility has attracted many more Grade B producers to convert to Grade A than needed, suggests strongly that a degree of price discrimination has existed. However, since the Class I differentials have been held constant for over a decade while inflation has raised costs, the relative amount of price discrimination has declined over time.

The existing price differentials between orders overstimulate production in some regions. Class I prices for the various orders are set to increase about $0.15 per hundredweight in areas east of the Rocky Mountains for every 100 miles away from Eau Claire, Wis. Actual hauling costs are more than $0.30 per hundredweight per 100 miles. Moreover, there is no reason that milk prices should differ by hauling costs along routes that milk does not move. Hence, in areas that are more than self-sufficient in fluid milk, such as the Northeast, the Class I price tends to be too high. In areas that normally produce less than they use, the price tends to be too low. These problems could be reduced by increasing the location differential and switching from a single basing point to a base zone or zones made up of those areas which are normally fully self-sufficient in fluid milk production including reserves.

Within individual orders, the locational price differences have grown out of date, contributing to inefficient movements of milk. Procedures for regular updating of price zone boundaries and price differences between zones need to be developed.

Pricing to Reflect Services

Paying uniform blend prices to all producers, subject to location differentials and certain other adjustments, does not adequately reward producers for the services they provide to the fluid market. Numerous proposals have been made for redistributing marketing order pool revenues to cover marketwide services and more effectively promote movement of milk into fluid uses. These include payments for hauling and for providing balancing services, two-tier pooling schemes, and lowering prices to manufacturers during the flush season. In most cases, these uses of pool revenues are advocated by full service cooperatives already committed to providing the services. Providing payments from pool revenues for *bona fide* marketwide services has some economic justification, but many problems exist in identifying services to be covered and determining their value.

A continuing issue is to what extent marketing order minimum prices should cover marketing services that cooperatives perform such as balancing. In some areas, the Class I price essentially covers these marketing services. In other areas, the cost of providing the services is covered by over-order charges. This means that the inter-order price differentials are relating milk prices that include marketing services in one area to prices in other areas that do not include corresponding services.

Including the cost of marketing services under the minimum order price would help assure farmers' cooperatives returns on their investments for providing these services, but would require further Government involvement in milk marketing. Estimating costs of providing the services presents many problems since they would differ considerably between firms even within a market area.

An efficient administered pricing scheme would have small class price differences in all surplus producing areas and differentials just high enough in deficit areas to attract the outside milk needed for fluid use. Producers would be paid according to the services they performed. Efficiencies would be gained to the extent that administered prices were based more directly upon the costs of the services associated with the milk. However, determining costs and administering a more directly cost-based pricing system would be difficult.

Pricing of Reconstituted Milk

Reconstitution of milk from concentrated ingredients offers possibilities for providing some consumers a product virtually equivalent to fresh milk at a lower price. Reconstituted milk is generally more palatable when mixed with fresh milk. Commercial reconstitution of milk is generally unprofitable under current Federal marketing order pricing provisions, which make the ingredients at least as costly as fresh fluid milk to the firm doing the reconstitution. Moreover, sales of reconstituted milk are either prohibited or prices regulated by about half of the States.

Compared to fresh fluid milk, reconstituted milk involves added costs for processing, but lower costs for transportation and market balancing. Current order

provisions force the firm that reconstitutes milk to pay for market balancing services, as represented by Class I differentials, which it does not need or use. If these charges were eliminated, reconstitution could provide cost savings by partly supplying fluid milk needs in some high cost-of-production areas, particularly during the fall and winter. Fresh fluid milk would continue to have a cost advantage in most areas.

Several possibilities exist for bringing the ingredient costs of the reconstituted product more in line with actual costs. These would generally lead to substantial lowering of Class I price differentials or abandonment of classified pricing. In its place, a system of administered prices for both producers and processors based more directly on costs might possibly be implemented to lend stability and price certainty to milk markets while obtaining some of the efficiencies that reconstitution allows.

Overall losses to society from the pricing inefficiencies imposed by marketing orders are relatively small, probably less than 1 percent of the value of milk produced. These losses must be weighed against the gains from orderliness and stability brought about by orders. However, orderliness and stability should be attainable through a system of administered pricing or contracting based upon prices that are more nearly in line with costs. This might be accomplished under the order system by adjusting price differentials and by developing means to pay producers more in line with the services they provide to the market.

Summary

In summary, the USDA study of the dairy programs described herein concluded that the level of price support is the key dairy program element affecting the well-being of society and costs to Government. Stabilization benefits are achievable and economic waste can be avoided with lower real levels of price support than existed during the early eighties, but of course, this would lower returns to producers. If the 15-20 percent lower milk prices required to balance production with use are deemed unacceptable, several alternative types of programs are available to transfer income to farmers and help keep them in business. These include supply control, direct or deficiency payments, and using marketing orders to increase the price of milk going into fluid consumption relative to other uses. Supply control and direct payments are likely to lead to serious economic distortions, except possibly when used as temporary measures to compensate producers for making needed adjustments. A number of possibilities merit consideration for reducing the economic distortions associated with Federal milk marketing orders while promoting orderliness and stability in milk pricing.

Several needs for longer-term research into the economics of the dairy industry came to light during the study. Among the economic relationships that need further quantification are: the effects of price uncertainty and instability on supply response; the nature of the instabilities that would arise with fewer or no regulations; the costs of providing marketing services; the value of product donations; and the effects of advertising and promotion. Particularly important to future dairy program analyses are sound studies of demand and supply relationships. Broader areas which need study, and of which dairy is only a part, are cooperative policy and trade policy.

AGRICULTURE-FOOD POLICY DECISIONS UPDATE

by Loreen Forester*

Table 1--Commodity Program Levels

Commodity	1981	1982	1983	1984
Wheat				
Target price ($ per bu.)	3.81	1/4.05	1/4.30	4.38
Loan level ($ per bu.)	3.20	1/3.55	1/3.65	3.30
Reserve loan level ($ per bu.)	3.50	4.00	1/3.65	3.30
Reserve release level ($ per bu.)	2/3/4.48	4.65	4.65	--
Reserve call level ($ per bu.)	4/5/5.60	--	--	--
Acreage reduction (percent)	--	15	15	20
Paid land diversion (percent)	--	--	5	10
Payment-in-kind (percent)	--	--	6/10-30	14/10-20
Nat'l base acreage (mil. acres)	7/84.5	90.7	90.9	93.9
Corn				
Target price ($ per bu.)	2.40	1/2.70	1/2.86	1/3.03
Loan level ($ per bu.)	2.40	1/2.55	1/2.65	2.55
Reserve loan level ($ per bu.)	2.55	2.90	1/2.65	2.55
Reserve release level ($ per bu.)	8/3.00	3.25	3.25	--
Reserve call level ($ per bu.)	5/9/3.48	--	--	--
Acreage reduction (percent) 10/	--	10	10	10
Paid land diversion (percent) 10/	--	--	10	--
Payment-in-kind (percent)	--	--	6/10-30	--
Nat'l base acreage (mil. Acres)	7/80.5	81.3	11/101.2	81.4
Grain Sorghum				
Target price ($ per bu.)	2.55	2.60	2.72	2.88
Loan level ($ per bu.)	2.28	2.42	2.52	2.42
Reserve loan level ($ per bu.)	2.42	2.75	2.52	2.42
Reserve release level ($ per bu.)	8/2.85	3.10	3.10	--
Reserve call level ($ per bu.)	5/3.31	--	--	--
Acreage reduction (percent) 10/	--	10	10	10
Paid land diversion (percent) 10/	--	--	10	--
Payment-in-kind (percent)	--	--	6/10-30	--
Nat'l base acreage (mil. acres)	7/14.3	17.7	11/101.2	18.4
Barley				
Target price ($ per bu.)	2.60	2.60	2.60	2.60
Loan level ($ per bu.)	1.95	2.08	2.16	2.08
Reserve loan level ($ per bu.)	2.07	2.37	2.16	2.08
Reserve release level ($ per bu.)	8/2.44	2.65	--	--
Reserve call level ($ per bu.)	5/2.83	--	--	--
Acreage reduction (percent) 10/	--	10	10	10
Paid land diversion (percent) 10/	--	--	10	--
Nat'l base acreage (mil. acres)	7/10.2	10.5	11/19.6	11.6

Continued--

*Loreen Forester is an Economist in the Food and Agricultural Policy Branch, NED, ERS

Table 1--Commodity Program Levels--Continued

Commodity	1981	1982	1983	1984
Oats				
Target price ($ per bu.)	--	1.50	1.60	1.60
Loan level ($ per bu.)	1.24	1.31	1.36	1.31
Reserve loan level ($ per bu.)	1.31	1.49	1.36	1.31
Reserve release level ($ per bu.)	1.55	1.65	--	--
Reserve call level ($ per bu.)	5/1.80	--	--	--
Acreage reduction (percent) 10/	--	10	10	10
Paid land diversion (percent) 10/	--	--	10	--
Nat'l base acreage (mil. acres)	--	10.4	11/19.6	9.9
Rye				
Loan level ($ per bu.)	2.04	2.17	2.25	2.17
Soybeans				
Loan level ($ per bu.)	5.02	5.02	5.02	5.02
Upland Cotton				
Target price (cents per lb.)	70.87	1/71.00	1/76.00	1/81.00
Loan level (cents per lb.) 12/	52.46	57.08	1/55.00	1/55.00
Acreage reduction (percent)	--	15	20	25
Paid land diversion (percent)	--	--	5	--
Payment-in-kind (percent)	--	--	6/10-30	--
Nat'l base acreage (mil. acres)	7/12.8	15.3	15.4	15.6
Extra Long Staple (ELS) Cotton				
Target price (cents per lb.)	--	--	--	1/99.00
Loan level (cents per lb.)	99.00	99.89	96.25	1/82.50
Nat'l marketing quota (1,000 bales)	195	157	102	--
Nat'l acreage allotment (1,000 bales)	150.2	120.2	80.1	--
Nat'l base acreage (mil. acres)	--	--	--	68.3
Rice				
Target price ($ per cwt)	12/10.86	12/10.85	12/11.40	12/11.90
Loan level ($ per cwt)	8.01	8.14	8.14	8.00
Acreage reduction (percent)	--	15	15	25
Paid land diversion (percent)	--	--	5	--
Payment-in-kind (percent)	--	--	6/10-30	--
National allotment (mil. acres) 1/	1.8	--	--	--
Flue-cured Tobacco				
Loan level (cents per lb.) 12/	158.7	169.9	169.9	169.9
Effective marketing quota (mil. lbs.)	1,111	977	892	840
Burley Tobacco				
Loan level (cents per lb.) 12/	163.6	175.1	175.1	11/175.1
Effective marketing quota (mil. lbs.)	842	778	641	697
Peanuts				
Loan level, quota ($ per ton) 1/	455	550	550	550
Loan level, non-quota ($ per ton)	250	200	185	185
Marketing poundage quota (1,000 tons) 1/	1,440	13/1,200	13/1,167	13/1,134
Acreage allotment (1,000 acres)	1,739	--	--	--

Table 1--Commodity Program Levels--Continued

Commodity	1981	1982	1983	1984
Wool				
Support level (cents per lb.) 12/	135	137	153	165
Mohair				
Support level (cents per lb.) 12/	371.8	397.7	462.7	516.9
Sugar				
Loan level for raw cane (cents per lb.)	--	1/17.00	17.50	17.50
Loan level for refined beet (cents per lb.)	--	20.15	20.86	20.86
Honey				
Loan level (cents per lb.)	57.4	60.4	62.2	65.8

N.R. = Not Released.

1/ Minimum allowed by law.

2/ The release level for wheat is 140 percent of the loan level. Farmers with contracts specifying 150 percent of the loan level, per the January 1980 announcement, may have used a release level of $4.80 per bushel for wheat in 1981, or converted their contracts to the 140 percent provision.

3/ The release level for wheat entered into the reserve after July 23, 1981, was set at $4.65 per bushel.

4/ The call level for wheat is 175 percent of the loan level. Farmers with contracts specifying 185 percent of the loan level, may have used a level of $5.92 per bushel in 1981, or converted their contracts to the 175 percent provision.

5/ On July 24, 1981, the Secretary stated the call level trigger would be used only under an "extreme emergency." This effectively negated call level provisions.

6/ Producers could choose any level of participation from 10 to 30 percent, inclusive. Producers also had the option of submitting bids to remove their entire crop-specific acreage base from production, this feature was not continued in the 1984 PIK.

7/ National program acreage.

8/ Feed grains entered into the reserve after October 6, 1981, had the following release levels: corn--$3.15 per bushel; barley--$2.55 per bushel; and sorghum--$3.00 per bushel.

9/ The call level for corn is 145 percent of the loan level. Farmers with contracts specifying 140 percent of the loan level may have used a call level of $3.36 per bushel in 1981 or converted their contracts to the 145 percent provision.

10/ There are two established bases for the 1982-1984 acreage reduction programs for feed grains: one for corn and sorghum; the other for barley and oats.

11/ Combined totals: corn and sorghum; barley and oats.

12/ Determined by statutory formula.

13/ The marketing quota was suspended by the 1981 farm bill, but the poundage quota was retained.

14/ Producers could choose any level of participation from 10-20 percent, inclusive.

Grains and Cotton Programs

New Wheat Program Signup Period.--USDA announced on April 10 that under the Agricultural Programs Adjustment Act of 1984 the signup period for the 1984 wheat program would be reopened from April 16 to May 4. Farmers with wheat bases who previously had not signed up for the 1984 program are eligible to participate in the revised program. The basic legislated program changes are:
--The target price has been lowered from $4.45 to $4.38 per bushel.
--Although the reduced acreage requirement remains at a minimum of 30 percent, 20 percent of the requirement must be under an acreage reduction program and the remaining 10 percent will be a paid land diversion with a paid diversion rate of $2.70 per bushel.
--Advance diversion payments will be available.
--PIK payments are increased from 75 percent to 85 percent of the established yield times the acres diverted.
--State ASCS committees may authorize haying and grazing on acreage conservation reserve acreages devoted to wheat prior to January 12, 1984.

Payment Limitations.--On December 21, USDA limited the number of acres a wheat farmer can enroll in the PIK program such that PIK compensation and cash payments for stabilization programs combined cannot exceed $50,000 using the 1984 county wheat loan rate to determine the value of the PIK.

Proposed New Red Wheat Class.--After reviewing its official wheat standards, USDA decided not to establish a new "Red Wheat" class, to delay revising rounding procedures used to certify wheat dockage and adopt six changes to the wheat standards next year. As of May 1, USDA adopted the following changes to the standards: delete the special grade "Light Garlicky" and redefine "garlicky" as wheat containing more than two green bulblets or an equivalent quantity of dry or partly dry bulblets in 1,000 grams; reduce the allowable limit from two to one castor bean in the numerical grades and assign "U.S. Sample Grade" to wheat samples containing more than one castor bean; apply test weight requirements for "Hard Red Spring" or "White Club" when those classes predominate in the class "Mixed" wheat; continue to certify wheat when smut is evident with the special grades, "Light Smutty," and "Smutty," since an extreme amount of smut does not render it "Sample Grade;" list, on the official certificate components of the subclass "Western White" wheat in order of predominance; and use a work portion free of dockage and shrunken and broken kernals to analyze factors of other classes, contrasting classes and subclasses.

Federal Grain Administration Rule Change.--USDA adopted on December 30 minor changes in a rule on the administration of the Federal Grain Inspection Service. The changes were made to: clarify and condense the provision; reference the administrator's delegated responsibilities under the Agricultural Marketing Act; delete the words "regional office" and other superfluous wording; substitute the word "agency" for "official agency;" and delete all references to the administrative staff and replace them with references to the administrator and the agency.

Proposed Changes to Rye Standards.--On February 1, USDA proposed changes to rye standards to update the wording and certain factor limits. Changes include: smut balls will be considered foreign material and counted in the determination of special grades "Smutty" and "Light smutty;" the presence of an extreme

amount of smut will no longer be a factor for grading rye U.S. Sample grade; ergot will be certified in hundredth percent instead of tenth percent; the heat-damage limit will be changed to 0.2 percent from 0.1 percent for grade U.S. No.1; and the special grade "Tough" will be deleted and moisture will no longer be a factor for grading rye U.S. Sample grade.

Triticale Standards.--USDA requested comments on December 20, on its standards for triticale. Three questions to be answered are:
--Should the allowable limits for castor beans in the numerical grades be tightened from two to one? For example, two seeds will render triticale Sample grade.
--Should the presence of an extreme amount of smut be deleted as a factor rendering triticale Sample grade?
--Should the standards be eliminated, or is there sufficient need to retain them?

Reserve for 1983-Crop Wheat.--On January 19, USDA established a farmer-owned grain reserve for 1983-crop wheat.

Feed Grains Reserve Opened.--As of January 19, USDA opened Reserve V to feed grains for the first time. Annual storage payments for grain placed in the reserve will be 26.5 cents per bushel for wheat, corn and barley, 20 cents per bushel for oats and 47.32 cents per hundredweight for sorghum.

Corn in Release Status.--Reserve V corn was on release status in January, placed on reserve status in February and released again on March 7 through the month of April. Reserve IV corn was in release status through January, in reserve status through February, then released March 2 and remained in release status through April.

Oat in Release Status.--Oat was released from the reserve December 7 and remained in release status through April 30.

No Deficiency Payments.--USDA reported on January 2 that no deficiency payments are due corn and sorghum producers who took part in the 1983 feed grain program because national average market prices for the two grains were above their established target price levels.

Emergency Feed Assistance Program.--On January 16, USDA announced that 10,321 applications from farmers had been approved for the purchase of 10.1 million bushels of lowgrade, government-owned corn under the emergency feed assistance program. The program is designed to assist farmers whose livestock feed supplies are lower because of drought, hot weather or related disaster. CCC lower-grade corn is being sold to producers at 75 percent of the current basic county loan rate for the average quality of available corn in the county where the corn is stored. The maximum amount of assistance that may be granted is 10 pounds of corn per day per animal unit for each day in the feeding period.

1984 Rice Program.--On December 16, USDA announced the 1984 Rice program. To be eligible for program benefits, producers must limit 1984 rice plantings to 75 percent of the farm's rice base and devote to an acreage conservation reserve, eligible cropland equal to one third of the 1984 planted acreage. The target price is set at $11.90 per cwt, the statutory minimum and the national average loan and purchase price is $8 per cwt. Farm-stored rice loans will be based on the national average loan rate of the type of rice used as loan collateral. The 1984 acreage base bill be the average of the acreage planted and considered

planted to rice in 1982 and 1983. No adjustments of rice bases for the control of red rice shall be permitted. There will be no advance of deficiency payments and offsetting compliance will not apply. Haying will not be permitted on the conservation use acreage, but the acreage may be grazed except during the six principal growing months. Land designated for conservation use must have been devoted to row crops or small grains in two of the last three years. Contracts will be considered binding and will provide for liquitdated damages for failure of participants to comply with the program requirements.

Rice Deficiency Payments.--On February 1, USDA announced that eligible rice producers will be paid an estimated $250 million in rice deficiency payments for their 1983 crop.

Rice Loan Rates Set by Class.--Beginning with the 1984-crop, rice farmers will receive loan and purchase rates on their rice depending on which class of rice (long-, medium- or short-grain) they produce. Loan and purchase rates were set at $8.70 per cwt for long grain rough rice and $6.67 for medium and short grain rough rice.

Rice Inspection Fee Increases.--USDA proposed a fee increase for rice and commodity inspection to cover costs of the inspection program. The Federal Grain Inspection Service provides inspection at the request of the applicants and is required to charge fees to cover its costs under the Agricultural Marketing Act of 1946.

Cotton Warehouse License and Inspection Fees.--USDA increased existing fees for original or amended licenses for cotton warehouses operating under the U.S. Warehouse Act, effective February 28. Original licenses rose from $20 to $50, amended or reinstated licenses from $10 to $50 and sampler, classifier or weigher licenses increased from $6 to $20. Original examinations and reexaminations increased from $20 to $50 for each 1,000 bales of storage capacity.

1983-Crop Upland Cotton Deficiency Payment Rate.--On February 1, USDA announced that farmers will receive deficiency payments at a rate of 12.1 cents per pound for their 1983 production of upland cotton.

1984-Crop Cotton Program Differentials.--On March 27, USDA announced schedules of differentials to be applied to the 1984 crops of upland and extra long staple (ELS) cotton for issuing price support loans to farmers. The schedules apply to loan rates of 55 cents per pound for the basic grade of upland cotton and 82.5 cents per pound for ELS cotton.

Grain Standards Rules.--On April 13, USDA proposed minor word and definition changes to clarify language in the Grain Standards Act regulations. Examples of changes in the proposal include: clarifying definitions for 'agency, container,' and 'deceptive loading;' removing obsolete definitions such as regional office because the agency no longer has regional offices; and adding definitions for 'merchandizer and quantity.'

Crop Insurance Rules.--On February 21, USDA announced new rules for Federal crop insurance. All cotton and rice crop insurance policies are now based on the actual production records of farmers. The old area coverage plan based guarantees on the average yield in a given area. Other features of the new program are: a premium adjustment table offering discounts to those with stable production. For instance, a farmer with zero losses over the last five years

under his coverage election, whether or not he has been insured in those years, could qualify for a 20-percent discount; guarantees based on ten years of production records. If ten years of acceptable records are not available, a historical base will be constructed from available records; and the option of insuring or not insuring units in their farm operation.

Cotton Crop Insurance Rates.--USDA changed the method of determining premium rates for skip row cotton growers. Formerly, skip row yields were converted to solid row planting yields before determining the premium rate. This distorted the premium cost for some farmers. Under the new procedure, skip row yields will not be converted to solid row planting for rate determination. They will continue to be converted to solid row planting for purposes of stablishing the farmer's historical yield data base.

Mixed Grain Standards.--Effective January 26, 1985, USDA issued revised standards for mixed grain. Changes include an updated format; a clearer definition of mixed grain; elimination of the mixed feed oats section and the special grade "Tough;" a tighter limit for the special grade Ergoty; a simpler basis for determining percentages of each type of grain in the mixture and damaged kernals; establishing rounding procedures for determining percentages; and other general nonsubstantive changes to update the standards to accomodate current marketing practices.

PIK Program.--USDA announced on January 17 the payment-in-kind program for 1984 which applies only to wheat. Under one of the provisions, the value of commodities received by a farmer as payment-in-kind compensation will be figured in with cash diversion and deficiency payments to determine whether the farmer has reached the statutory $50,000 payment limitation applicable to commodity programs.

Farm Program Signup.--USDA extended the sign-up period for 1984 cotton, feed grain, rice and wheat programs by three weeks, through March 16 to provide farmers with extra time to make operating plans for the coming season.

Summer Fallow Rules.--USDA announced on February 18, that 1984 summer fallow rules had been changed to be the same as those for 1983 and previous programs. Prior to this action, acreage designated for the 1984 programs could not have been land intended for summer fallow in the current year.

Long-Term Conservation Program.--On April 20, USDA announced that 264,000 acres of highly erodible cropland had been signed up to be retired from production for 5 to 10 years in a longterm conservation program. Land is considered highly erodible if it loses more than 10 tons per acre per year, or twice the tolerance level. Under the program, the government will provide 90 percent of the cost of planting trees or grass rather than crops on the land.

Oilseeds and Tobacco

Proposed Sunflower Seed Standards.--On January 27, USDA proposed Federal standards for sunflower seeds. Currently, the quality of marketed sunflower seed is determined either through the use of Minnesota State Standards or separate industry trading rules.

Elimination of Form Contract.--On December 5, USDA announced an interim rule eliminating the requirement that peanut producers and handlers use a USDA contract form when producers sell their additional peanuts to handlers. Contracts still have to be filed at an ASCS county office by April 14. Public comment on the rule was requested.

Peanut Price Support Level.--On February 15, USDA announced that the price support level for 1984-crop peanuts would remain unchanged from the 1983 level. Farmers will receive $550 per short ton for quota peanuts and $185 per ton for additional peanuts. Additional loan collateral peanuts will be sold by CCC for export edible use at no less than $425 per ton.

Peanut Loan and Purchase Rates.--On February 29, USDA proposed changes in loan and purchase rates for 1984-crop peanuts. The extra large kernal premium for Virginia type peanuts would be reduced from 45 cents to 35 cents per percentage of extra large kernals in a ton, and the 5-year average for determining the extra large kernal quality factors would be reduced to 3 years.

Four Leaf Program Eliminated.--Effective with the 1984 crop, producers of flue-cured tobacco will not be allowed to plant more than 100 percent of their effective farm acreage allotments and still be eligible for Federal price support. Under the previous "four leaf" program, producers who agreed not to harvest the four bottom leaves on each stalk of tobacco were allowed to plant up to 110 percent of their allotment and still be eligible for price support.

Grade Loan Rates for Virginia Tobaccos.--On December 2, USDA issued grade loan rates for Virginia fire-cured, type 21 and Virginia sun-cured, type 37 tobacco. The schedule for the tobaccos is based on the average support levels of $1.188 per pound for fire-cured and $1.094 per pound for sun-cured tobacco, the same as the 1982 support levels. Grade loan rates will range from 61 cents to $1.91 per pound for Virginia firecured tobacco and from 80 cents to $1.84 per pound for Virginia sun-cured tobacco. Only the original producer is eligible for price support under the program. Producers must also contribute two cents per pound of tobacco marketed to a No Net Cost Tobacco Account. The tobacco association may deduct an additional four cents per pound from support rates paid to producers to help cover overhead costs.

Flue-Cured Tobacco Program Modified.--The Dairy and Tobacco Adjustment Act (see Laws section) eliminates the lease and transfer of flue-cured tobacco quota after 1986 and changes dates and adds exemptions for the required sale or forfeiture of allotments and quotas. Beginning with the 1987 crop, flue-cured tobacco will be required to be grown on the farm to which allotments and quotas are assigned. Allotment holders will no longer be able to lease and transfer quotas after 1986. The new law adds exemptions for allotment holders. Previously, all individuals, plus entities significantly involved in the management or use of land for agricultural purposes, could retain allotments. Now partnerships and family farm corporations, and trusts, estates or similar fiduciary accounts with respect to which the beneficial interest is to one or more individuals may retain allotments. And they may do so even though they are not significantly involved in the management or use of land for agricultural purposes. Educational institutions that use flue-cured allotments for instruction or demonstration can also retain allotments. For farms owned before January 1, 1983, whose owners must sell or lose allotments, the date of required sale or forfeiture of allotment has been extended one year, from December 1, 1983 to December 1, 1984.

Beginning with 1986 allotments and quotas, the 1983 Act requires forfeiture for any allotment and quota established for a farm on which flue-cured tobacco has not been planted or considered planted during at least 2 out of the previous 3 years. Quota that is leased and transferred will be considered planted on the farm for which the quota was established. Quota and allotment use in 1984 will have a direct bearing on forfeiture determinations beginning in 1986. The law still requires that a flue-cured allotment not exceed half the farm's tillable cropland. Any excess must be forfeited beginning December 2, 1983.

The law eliminates a requirement, commonly called the double assessment under which an owner who leases and transfers flue-cured quotas pays into the no-net-cost fund. Beginning in 1985, lessees must not pay the proceeds of a fluecured tobacco lease until the tobacco produced under the lease is marketed. Whenever an acreage-poundage quota is in effect, acreage planted to flue-cured tobacco on all farms must be determined by some means of measurement, such as aerial observation. USDA is required to announce the flue-cured tobacco marketing quota by December 15, rather than by December 1.

1984 Flue-Cured Tobacco Quota.--USDA announced on December 15 that the flue-cured tobacco national marketing quota will be 805 million pounds, down 108 million pounds from the 1983 crop. Undermarketings are estimated to exceed overmarketings by 30 million pounds, or 52 million pounds below the 1983 effective quota. I the tobacco program, farmers who produce less than their quota of tobacco in one year (an undermarketing) are allowed to "overmarket" the amount of the shortfall the following year.

Producer Contributions for Flue-Cured Tobacco.--USDA announced on December 22 that as a condition for price support on 1984 flue-cured tobacco, producers must agree to contribute 7 cents per pound sold, to a no-net-cost tobacco fund. The 7-cent contribution is expected to offest losses that might occur on the 1984 crop. Producers who market tobacco ineligible for price support because they have not agreed to contribute to the fund will be subject to the same penalty that applies to the marketing of excess tobacco. The penalty equals 75 percent of the previous year's average market price.

Burley Tobacco Program Modifications.--The Dairy and Tobacco Adjustment Act of 1983 prohibits the lease and transfer of burley quota after July 1 of each year and changes dates and criteria for the mandatory sale or forfeiture of burley quotas. All lease and transfer agreements must be filed at the county ASCS office by July 1 of the crop year to be effective for that year. Previously, producers had until February 15 after harvest to complete agreements. The new law reduces the lease and transfer season by about seven and one half months and effectively ends a practice called "fall leasing." The new law also extends by one year the date for any required sale or forfeiture of quota, from December 1, 1983 to December 1, 1984. The 1983 Act changes the criteria used to determine which persons must dispose of or lose quotas. Now, persons using land on a farm for agricultural purposes may retain their quotas. Educational institutions using a burley quota for instruction or demonstration also may retain quotas. The new law eliminates the requirement that parties other than individuals must be significantly involved in the management or use of land for agricultural purposes to retain their quota. In addition, the new law reduces the poundage that may be leased and transferred to any one farm from 30,000 pounds of burley to 15,000 pounds. If the county ASCS committee determines that tracts of land owned by one person in contiguous

counties within the same state will be operated as one farm and a burley quota is established for one or more tracts, the owner may combine the tracts as one farm.

Cigar Binder and Filler Tobacco Loan Rates.--On January 26, USDA issued loan rates for the various grades of 1983-crop cigar binder and filler tobaccos (types 42-44 and 53-55). The rates, based on the national average support rate of 90.7 cents per pound are unchanged from 1982 as required by a 1982 amendment to the Agricultural Act of 1949.

1984 Acreage Allotments.--On February 1, USDA announced acreage allotments for six kinds of minor tobacco in 1984 as follows: Allotments for Virginia sun-cured and dark air-cured tobaccos remain unchanged from a year earlier; Allotments for KentuckyTennesee fire-cured tobacco are increased 10 percent; Allotments for Virginia fire-cured are lowered 5 percent; Allotments for filler and binder (types 42-44 and 53-55) are lowered 10 percent. Allotments for cigar binder (types 51-52) are lowered 19 percent.

Burley Tobacco Marketing Quotas.--On February 1, USDA set the national marketing quota for 1984-crop burley tobacco at 538 million pounds, 10 percent less than that for the 1983 crop. The reduction is the maximum permitted under law. When adjustment for over and undermarketings are taken into account, effective farm quotas for 1984 are expected to total 708 million pounds, about 10 percent more than last year.

Connecticut Valley Tobacco Assessments.--On February 24, USDA announced a 10-cents-per-pound assessment on cigar binder types 51 (broadleaf) and 52 (Havana seed) tobaccos grown in Connecticut and Massachusetts as a condition for price supports on the 1984 crop. The 10 cents per pound are contributed to a no-net-cost account on all sales of these tobacco.

Marketing Quotas Disapproved.--For the first time, tobacco growers have disapproved marketing quotas and thus are ineligible for Federal price suports for the 1984 crop of cigar binder types 51 and 52 tobacco, grown in connecticut and Massachusetts. There will be unrestricted planting and no price support for the 1984-crop of these kinds of tobaccos.

Puerto Rican Grade Loan Rates.--USDA issued grade loan rates on February 28, for 1983-crop Puerto Rican (type 46) tobacco based on an average price support level of 90.9 cents per pound, the same level as 1982. Producers of Puerto Rican tobacco must also contribute 52 cents per pound of tobacco marketed to a no-net-cost tobacco account. This is 39 cents above the 1982-crop level.

Growers Approve Quotas.--Preliminary results of a mail referendum released on March 13 showed that growers of cigar filler and binder (types 42-44 and 53-55) approved marketing quotas for this kind of tobacco for the 1984 through 1986 crops. Growers who comply with acreage allotments for cigar filler and binder tobacco may now qualify for price support loans on the 1984 through 1986 crops. Growers who plant in excess of their allotment will be subject to marketing penalties of 75 percent of the previous year's average market price for cigar filler and binder tobaccos.

National Tobacco Advisory Committee.--The national advisory committee for tobacco inspection services was renewed on April 9 by the Secretary of Agriculture

for two years. The committee advises the secretary of the level of services needed and the establishment of fees and charges to recover the cost of such services.

Tobacco Advisory Committee Membership.--On April 18, USDA added one additional member and one alternate who will represent tobacco producers to the Flue-Cured Tobacco Advisory Committee. The number of producer representatives was increased from 20 to 21 members thereby bringing the total membership to 38 members and their alternates. Nine warehouse operators and eight buyers compose the balance of the committee. The committee provides information essential to the orderly marketing of flue-cured tobacco and recommends opening dates and selling schedules for flue-cured tobacco growing regions from Virginia to Florida.

Amended Standards.--As required by the Dairy and Tobacco Adjustment Act of 1983, USDA has amended its grade and quality standards to include all imported tobaccos except cigar and oriental tobaccos. The changes establish grade and quality standards the same as those that apply to tobacco marketed through a warehouse in the United States. The amendments also add nine new grades to the official standard grades for flue-cured tobacco.

1984-Crop Flue-Cured Tobacco.--On April 20, USDA announced the support level of flue-cured tobacco for the 1984 crop at $1.699 per pound. The level is the same as for the 1982 and 1983 crops as required by current law. Loan rates for the various grades of eligible 1984-crop flue-cured tobacco, based on the $1.699 rate, range from $1.13 to $2.21 per pound.

Fruits and Vegetables

EDB.--On March 2, EPA announced a phased reduction in tolerable residue levels of the pesticide ethylene dibromide (EDB), in citrus fruits and papayas. EPA proposed interim maximum tolerances of 250 parts per billion for the whole fruit which equates to 30 ppb for the edible portions of the fruit.

Revised Summer Squash Standards.--Effective January 6, USDA revised grade standards for summer squash to permit inspectors to calculate percentages of offsize and defective squash by count. Computing percentages by count can reduce inspection time up to 50 percent from the previous calculation by weight without affecting the accuracy of grade certification.

Processed Carrots Standards.--USDA announced on January 4, a proposal to revise the U.S. grade standards for carrots that are used in various processed food products. The proposed standards would be applicable to both the new machine method of removing tops and crowns before harvest and to the older method of removing them in the processing plant.

Citrus Salad Product Grade Standards.--New grade standards for canned grapefruit and orange became effective January 11. The new standards allow sliced oranges in addition to segmented fruit in the product. To simplify nomenclature, optional use of "U.S. Fancy" for Grade A and "U.S. Choice" for Grade B is eliminated.

Assessment for Potato Research and Development.--Over two-thirds of the 2,798 potato producers voting in a USDA referendum supported a proposed

increase in the national potato research and promotion program assessment rate. The amendment will authorize an increase in the maximum assessment rate from the current one cent per cwt to one-half of one percent of the past 10-year average price received by growers. At the current average, this would result in a maximum assessment rate of about two cents per cwt. The potato research and promotion program, authorized by Congress in the Potato Research and Promotion Act, is financed by an assessment on potatoes handled for food and seed.

Sugar and Honey

Re-export.--USDA will now permit U.S. manufacturers to import sugar free of existing quotas, or to acquire such sugar from U.S. refiners, as long as it is solely to be used for re-export in sugar-containing products. The new rule will make these products more competitive on the world market by enabling the producers to pay the world market price for sugar which is significantly lower than the domestic price. Under the new rule, two types of licenses will be available. An "import license" will allow the entry of sugar exempt from quota, and a "user liscense" will allow the transfer of quota-exempt sugar from a refiner. Under both licenses the sugar must then be exported in a sugar-containing product. Licenses may be issued only to manufacturers of sugar-containing products and must be specifically authorized. There is a limit of 10,000 short tonns of sugar (refined weight basis) per licensed manufacturer. To guarantee that sugar is used only for the purposes intended, manufacturers must post a bond to cover all imports or transfers under a license.

Import Fee.--The import fee for raw sugar remained at zero cents per pound for the first quarter of 1984. The fee for refined sugar, set by proclamation at one cent above the raw sugar fee, is also unchanged.

Imports.--As of January 23, USDA now will permit U.S. manufacturers to import sugar free of existing quotas for polyhydric alcohol production. Licenses will be issued only to manufacturers of polyhydric alcohol or their agents, with a one-year limit for each license. Manufacturers will be required to post a bond to cover all entries under the license in order to insure that the sugar is used only for the purpose intended.

Quota.--As of April 4, the 1984 sugar import quota was raised by 100,000 short tons, raw value. This raises the total base quota for the period September 26, 1983 through September 30, 1984 from 2.95 million to 3.05 million short tons, raw value.

1984-Crop Honey Program.--On April 2, USDA announced the average loan and purchase rates of 65.8 cents per pound for honey, 3.6 cents above the 1983 support level. Price support rates represent 60 percent of the April 1984 adjusted parity price of 109.7 cents per pound, the minimum required under current legislation. Extracted honey loan and purchase rates will range from 54.0 cents to 69.0 cents per pound depending on color and class.

Livestock Programs

Tighter Inspection.--USDA announced on December 9 a plan to tighten Government control over a small percentage of packing and processing plants that chronically fail to meet sanitation standards and other regulatory requirements. The

new initiatives are; tightening eligibility requirements for plants that want to sell meat and poultry products to the Federal Government; regulating more intensively plants with a poor history of Federal compliance or with marginal operating practices; submitting a legislative package to Congress that would expand USDA authority to shut down plants by withdrawing inspection; and finding ways to prosecute violators in a faster and more effective manner.

Brucellosis.--On December 28, All but a portion of Montana was classified free of cattle brucellosis. The State has a combination of Class A - no more than 0.25 percent of markettested cattle infected - and free areas. Normally, a whole State is rated free, class A, B or C, but since Montana has an effective brand law and the seven-county Class A area is separated from 48 brucellosis-free counties by mountains, the movements of breeding cattle between the two areas can be controlled and two classifications are feasible.

Grazing on Federal Land.--On January 9, USDA announced that fees for grazing livestock on western national forests and grasslands will be reduced this year. The 1984 grazing fees for national forests and grasslands in Idaho and Oregon are $1.37 per animal month, 3 cents less than last year. For grasslands in other states, the grazing value is $2.62 per animal month, 24 cents less than in 1983.

unit

Meat Grading.--On March 1, fees charged to meatpackers and processors for USDA grading and certification services were raised by 60 cents an hour for regular-time work. Fees were increased from $25 to $25.60 for work performed between 6 am and 6 pm, Monday through Friday. Grading and certification work performed on Saturday, Sunday and between 6 pm and 6 am Monday through Friday increased from $30 to $30.60 per hour. Fees for work done on legal holidays increased from $50 to $51.20 per hour. Meat grading and certification are voluntary services provided to meatpackers and processors for a fee. Fees for these services must be about equal to the cost of providing the service.

Overtime Rates for Inspection.--Effective January 22, USDA increased its overtime rates for meat and poultry inspection services from $19.76 to $20.44 per hour. The hourly rate for voluntary inspection and certification was also increased from $17.12 to $17.72, and charges for laboratory work from $31.00 to $31.28. The increase covers only the cost of providing services in Fiscal Year 1984 and does not include pay raises for Federal inspectors as it normally does. USDA must assume all inspection costs during routine working hours in plants producing meat and poultry products for interstate or foreign commerce. However, USDA is authorized to charge plants for all mandatory inspection services exceeding 8 hours per day or 40 hours per week, all laboratory work and all voluntary inspection and certification services.

Packaging Materials.--As of July 17, USDA will implement its revised policy on packaging materials used in federally inspected meat and poultry plants. Plants will now be required to secure guarantees from suppliers showing that each type of wrapper or container complies with Federal standards. The new rule formalizes manufacturers' responsibility for determining that packaging materials are satisfactory and speeds the inspection process by enabling manufacturers to obtain acceptable packaging material without waiting for it to be evaluated by federal inspectors first. The new rules also establish

a monitoring system to verify guarantees. When they cannot be verified, USDA will disapprove the materials which prohibits their use in USDA-inspected plants.

Rabies Vaccine for Horses.--On February 1, USDA's Animal and Plant Health Inspection Service approved label revisions recommendating the rabies vaccine of Merieux Institute, Inc. for horses. The only manufacturer previously licensed to produce rabies vaccine for horses had ceased production more than a year prior.

Change in Grades for Slaughter Sheep.--On February 22, USDA proposed changes in US standards for grades of slaughter lamb, yearling and sheep. the proposed changes would align the slaughter standards with recently-revised standards for lamb, yearling mutton and mutton carcasses. The carcass standards were changed to allow carcasses with only one break joint -- in a young lamb, the point where the foot is removed during slaughter -- to be classed as lamb if other maturity characteristics are typical of lamb. Also, feathering -- streaks of fat between the ribs -- was dropped as a quality factor. The quality grade is now based on flank fat streakings -- fat within or on the flank muscle -- in relation to maturity, with a minimum of firmness for each grade. The proposal for slaughter animals will standardize the quality and conformation compensations, add descriptions of degrees of muscling associated with each grade and drop the cull grade for slaughter lambs and yearlings.

Retail Sales Exemption.--On February 28, USDA adjusted the dollar value of meat and poultry products that are exempt from Federal inspection when sold to institutional consumers. The limit on retailers' annual sales to institutional customers will decrease from $30,200 to $28,800 for meat, while poultry will increase from $23,100 to $25,500.

Packers and Stockyards Trade Practice Rules.--On February 21, USDA adopted changes in trade practice rules dealing with the marketing of livestock, poultry and meat under the Packers and Stockyards Act. The changes include removing two recordkeeping and accounting rules and revising and consolidating four others; consolidating two rules and one policy statement authorizing the disposal of records into a single policy statement; removing three trade practice rules involving employment restrictions, solicitation of consignments and gratuities; revising two rules concerning settlement on actual weights and market agencies providing clearing services; and consolidating and revising two trade practice rules relating to false reports of market conditions and prices.

Egg, Poultry and Rabbit Grading.--As of February 1, USDA increased charges for Federal egg, poultry and rabbit grading, and Federal mandatory egg products inspection overtime, to reflect the increased costs of providing these services. Overall fees and charges will be increased about 3.5 percent. The hourly rate for mandatory overtime egg products inspection increased from $16.56 to $17.20.

New Line Speed Inspection System.--On January 19, USDA proposed a new slaughter inspection system for broilers and Cornish hens that would increase inspection rates from 70 birds per minute to 91 birds per minute. The proposal includes technical changes in marking and trimming requirements for certain defects in otherwise wholesome carcasses. Under the supervision of the USDA inspector, plant employees would mark and trim the defects but the inspector determines which birds are condemned.

Poultry Chillers.--Effective April 12, USDA now permits poultry processors to replace part of the fresh water used to chill poultry carcasses with reconditioned water, which has been filtered or treated to keep bacteria levels low.

New Drug to Replace Cattle Dipping.--As of March 21, the Food and Drug Administration (FDA) now allows cattle to be treated for scabies with an injection of ivermectin instead of dipping them. Under terms of the FDA's approval of the product, animals must not be slaughtered until 35 days after treatment, the product cannot be used on female dairy cattle of breeding age, and it may only be used by, or on the order of, a licensed veterinarian. Also, USDA's interim rules require that treated cattle be kept physically separated from other cattle, before or during shipment, for 14 days.

Barrow and Gilt Slaughter and Carcass Grades.--USDA proposed on April 5, changes in official U.S. standards for grades of barrow and gilt carcasses and for slaughter barrows and gilts. The proposal would base the grade on the backfat thickness over the last rib with an adjustment for superior or inferior muscling. The present grades are based on the average of three backfat thickness measurements, carcass, length, and muscling. The current standards, issued in 1968, allow most carcasses to qualify for the top grade due to improvements in hog production, particularly in reducing the amount of fat in the pork produced.

Meat and Poultry Canning Regulations.--On April 9, USDA proposed modifications in Federal meat and poultry inspection regulations to keep pace with technological changes in the canning industry. The proposal includes detailed requirements for canning operations which would reduce the probability of processing errors. The proposal would also make the regulations more consistent with FDA requirements, which cover many canned products other than meat and poultry. In addition, it contains many of the principles found in a proposed international code of practice for canned foods, now under development by the Codex Alimentarius Commission of the World Health Organization/Food and Agriculture Organization. The proposal also responds to a number of points expressed in a September 1981 petition from the National Food Processors Association. The petition requested that USDA develop regulations that address such topics as examination of containers for defects, documentation of corrective actions taken when defects are found, and maintenance of records on canning procedures.

Swine Feed.-- Effective May 14, USDA now allows swine producers to feed their hogs bakery waste, candy waste, eggs, domestic dairy products, and certain fish without treatment.

Curing Solution in Pork.--Beginning April 15, 1985 USDA will regulate the amount of curing solution in ham and other cured pork products by requiring minimum protein levels. Current regulations permit no more than 10 percent curing solution in a finished cured pork product labeled "Water Added." Under the new regulation, four categories of canned ham would be allowed and could be labeled: "Ham," if the product is at least 20.5 percent protein, the amount previously found in fresh hams; "Ham with Natural Juices" if the product is at least 18.5 percent protein, the amount previously found in products labeled in this way; "Ham -- Added Water" if the product is at least 17.0 percent protein, the level found in hams with 10 percent added solution; or "Ham and Water Product -- XX% of Weight is Added Ingredients" for any canned ham less than 17.0 percent protein.

Wool and Mohair Payments.--Sheep producers received about $100 million in federal incentive payments on wool and lambs they sold in 1983 while mohair producers received about $6 million. The 1983 national average market price for shorn wool was 61.3 cents a pound and the support price was $1.53. For mohair, the average market price was $4.05 and the support price, $4.627. The payment is the amount required to bring the average price received by all producers up to the support price. Producers will receive $3.67 per cwt in federal payments for unshorn lambs they sold or slaughtered in 1983. This payment is to compensate growers for wool on live lambs they marketed. USDA withholds 4 cents per pound from wool payments and 20 cents per cwt from lamb payments. The withholding is forwarded to the American Sheep Producers Council to finance advertising, sales promotion and related market development activities. 4.5 cents per pound is withheld from mohair payments and forwarded to the Mohair Council of America.

Avian Influenza.--USDA quarantined parts of Pennsylvania, New Jersey, Maryland and Virginia in an attempt to contain and eradicate a serious outbreak of avian influenza among poultry in the area. A "poultry watch" to detect the disease in the early stages was implemented in the area and producers are paid an indemnity for birds destroyed because of avian influenza. The indemnity rate was raised on April 3, retroactive to November 9, the date USDA declared an "extraordinary emergency" to control the disease. Under the adjusted formula, owners of layers receive an increase of 33 percent over the previous indemnity rate; pullets, 16.5 percent more; broilers, 3 percent more; and non-breeder turkeys, 4.9 percent more. The higher rates more accurately reflect the fair market value of the birds. As of May 9, New Jersey and Maryland had been declared free of avian influenza and the quarantine had been lifted in those states.

New Quarantine Category for Eggs.--On March 6, USDA announced new regulations on the interstate shipment of eggs from areas under quarantine for avian influenza to prevent spread of the disease. Under the new regulations, cleaned and sanitized eggs from flocks known to be free of the disease through participation in the poultry watch program can now be moved to any destination. Eggs from infected flocks still cannot be moved and eggs from flocks of unknown status -- those not participating in the poultry watch program -- can move only to a "breaker" or processing plant.

Dairy

Milk Diversion Program.--USDA announced on December 30 that dairy producers would soon be able to contract with CCC to reduce sales of milk intended for commercial use and receive a $10-per-cwt incentive payment. Under the contract, milk producers may reduce milk marketing from 5 to 30 percent during the period January 1, 1984 through March 31, 1985. To be eligible, participants must: be a milk producer in one of the 48 contiguous states; have been actively engaged in milk production on November 29, 1983; have an established milk base; have provided a Milk Reduction Plan to the county ASCS office and offered to enter into a USDA milk diversion contract by January 31, 1984; and not have transferred, except under limited circumstances, any dairy cows which would or could have been used for the production of milk in the U.S. after November 8, 1983. There is no payment limitation under this program.

As of February 6, 37,530 dairy producers had signed contracts with USDA to reduce milk output under the Dairy and Tobacco Adjustment Act of 1983 by 9.3

billion pounds. This is about 5.5 percent of the estimated milk output during the 15 months of the program. Contracts show an intended herd reduction of 336,796 head above normal culling.

On January 18, USDA announced that during the January-March quarter, dairy producers who participate in the new milk diversion program need only reduce their marketings by half the amount specified under their contracts and still receive a $10-per-cwt incentive payment. Producers still must cut marketings by at least 5 percent of their established base for the quarter to receive payment.

Nonfat Dry Milk Standards.--On December 2, USDA proposed changes in standards for grades of nonfat dry milk, both spray process and roller process, and for instant nonfat dry milk. The proposals provide editorial and format changes that modernize the standards.

Dairy Cows Slaughtered.--On January 3, USDA announced that the Agricultural Marketing Service would begin reporting the number of dairy cows slaughtered each week in federally inspected plants. The first report was issued on January 20, for the week ending January 7.

Dairy Promotion Program.--On March 26, USDA announced details for administering a national dairy product promotion, research and nutrition education program. The program will be funded by a mandatory 15-cent per cwt assessment on all milk marketed by dairy farmers in the 48 contiguous states. A 36member National Dairy Promotion Research Board of dairy farmers will administer the program. The 15-cent per cwt assessment to finance the program began May 1, with all other rules effective April 1. Included in the program is a provision for a credit of up to 10 cents per cwt for producers who are participating in active, ongoing qualified state or regional dairy product promotion or nutrition education programs.

Natural Resources

Soil Conservation.--On December 8, USDA announced new soil conservation initiatives including a long-term conservation reserve. Farmers enrolled in 1984 commodity programs requiring an acreage reduction are eligible for consideration in the program. USDA has made $20 million dollars of Agricultural Conservation Program funds available for 90-percent cost sharing for the planting of grass or trees rather than crops on highly erodible land.

Timber Contract Extensions.--On December 7, USDA adopted the final policy on extensions of timber harvest contracts on Federal lands. The extensions allow purchasers to mix highbid sales with low ones to make harvesting more economical. However, to be eligible for extensions, the purchasers must submit for Forest Service approval a plan to schedule harvesting of all their public timber sales over the five-year extensions. The plans will not be approved if a disproportionate volume of national forest timber is scheduled for harvest in the last years of the plan. Other conditions for the extensions are that roads must be completed within the first year and that the purchaser will pay for any needed remarking of timber, restaking of roads or other work required because of the delay in harvesting.

Foreign Ownership of Agricultural Land.--U.S. agricultural land owned by foreign interests rose from 13.5 million acres to 13.7 million acres during 1983. The 13.7 million acres represent slightly more than 1 percent of U.S. agricultural

land. These and other findings are based on an analysis of reports submitted to USDA under tha Agricultural Foreign Investment Disclosure Act of 1978. The reports indicate that foreign owners planned to keep 92 percent of their acreage in agricultural production. The analysis also shows that forest land accounts for 57 percent of all foreign-owned acreage, cropland for 14 percent, pasture and other agriculture for 24 percent and nonagricultural and unreported uses for 5 percent. Corporations own 83 percent of the foreign-held acreage, partnerships, 9 percent, and individuals hold 7 percent. The remaining 1 percent is held by estates, trusts, associations, institutions, and others. U.S. corporations with 5 percent or more foreign ownership reported owning 63 percent of all the foreign-held acreage. The remaining 37 percent is held by foreign persons not affiliated with a U.S. corporation. Some land is held only in part by foreign investors. These partial interests reduce the 13.7 million acres of foreign holdings of U.S. agricultural land to an equivalent of 12.4 million acres. Foreign persons from Canada, the United Kingdom, Hong Kong, West Germany and the Netherlands Antilles own 73 percent of the foreign-held acreage. The largest foreign-owned acreage, mostly timber land, was reported in Maine. Foreign holdings account for 14 percent of Maine's privately owned agricultural land. One fifth of all reported foreign-owned land nationwide is in Maine. Except for Maine, foreign holdings are concentrated in the South and West -- 35 percent in the South and 29 percent in the West.

Mine Reclamation Assistance.--On December 27, USDA announced that $7.5 million was appropriated by Congress to assist in financing reclamation projects on nonfederal rural land damaged by coal mining. 54 high priority reclamation projects in 15 states will share the funds for technical assistance and cost sharing. USDA's Soil Conservation Service cooperates with the Department of Interior, state and local governments, private landowners, and soil and water conservation districts in administering the program.

Small Forest Tracts.--On January 10, USDA announced new regulations to solve management problems caused by thousands of small tracts of national forest system lands interspersed among private lands. Previously, long term solutions to these problems were available only through Congress passing legislation on a case-by-case basis or through a more complicated land exchange process. The new regulations will solve three types of problems involving national forest system land: national forest tracts 10 acres or less in size encroached upon by private parties because of erroenous surveys or over overlapping land descriptions; irregularly shaped tracts not more than 40 acres in size that are interspersed or adjacent to mining claims; and federal rights-of-way that are unsuitable or unneeded for roads or other uses. The regulations provide the Secretary of agriculture with authority to resolve ownership conflicts and improve national forest management by exchanging national forest lands for private lands of equal value, selling the federal land, or interchanging lands with a private owner without conducting a formal appraisal if the lands are of approximate equal value. The regulations do not apply to lands within the National Wilderness Preservation System, the National Wild and Scenic Rivers System, the National Trails System and National Monuments.

Public Meetings.--Public meetings were held in Honolulu on January 17 and 18 on environmental concerns about a proposal to eradicate three species of fruit flies from Hawaii. The Mediterraenean fruit fly, the Oriental fruit fly and the Melon fly are exotic species that have been established in Hawaii for many years and have hampered development of Hawaiian agriculture as well as exports from the islands.

Endangered Plant Species Regulation.--USDA reopened the comment period concerning proposed procedures to control shipments of endangered species of terrestrial plants. Under the proposed regulations, commercial importers and exporters of terrestrial plants that are protected by the Endangered Species Act would be required to obtain a general permit from the USDA to engage in the business of importing or exporting such plants. USDA would charge a fee of $70 to cover administrative costs and inspections involved in issuing these general permits. The proposed regulations also include shipping requirements, validation procedures, recordkeeping requirements and forfeiture procedures. Two public hearings were held on the proposal, one in Miami and one in Los Angeles.

Wildlife Habitat.--U.S. Departments of Agriculture and the Interior signed an agreement with Ducks Unlimited on March 14 to protect and resore vital waterfowl nesting areas in the United States. Under the agreement, Ducks Unlimited will fund projects to restore wetlands and increase waterfowl production on lands owned or leased by the USDA Forest Service and Department of Interior Fish and Wildlife Service and Bureau of Land Management.

Pest Control

More Restricted Weeds.--On December 22, USDA proposed adding 55 species of weeds to the list of "import restricted" foreign noxious weeds. The move would bring the total number of restricted foreign weeds to 412.

Imports Restricted.--On January 13, USDA established import restrictions to keep the khapra beetle, one of the world's most destructive grain pests, out of the U.S. The khapra beetle was eradicated from the United States in the 1950's. New restrictions on items which may harbor the beetles include cumin seeds in jute or burlap bags from Pakistan; goatskins, lambskins and sheepskins which are salted but not moist if from Sudan or India; empty used burlap and jute bagging from Libya, Saudi Arabia or Syria; and shipments of cucumber, squash, pumpkin, gourd or related seeds in amounts greater than 2 ounces, if not for propagation and if from most North or dry West African or Middle Eastern countries.

Mexican Fruit Fly.--As of March 30, 71 square miles in Los Angeles County, California, were under quarantine for the Mexican fruit fly. The addition of about 7 square miles brings the total regulated area to about 50 square miles. The regulations prohibit interstate movement of articles that could artificially spread the pest from the regulated area to other U.S. citrus-growing areas unless they are certified free of the Mexican fruit fly. Regulated articles include: apple, apricot, avocado, grapefruit, guava, certain lemons and limes, mango, peach, pear, plum and some other fruits. These Federal regulations govern interstate movement and parallel state regulations governing intrastate movement.

Citrus Canker.--On January 25, USDA enlarged the area in Mexico from which citrus imports into the United States are prohibited. Citrus fruit and peel from any part of the Mexican states of Guerrero and Michoacan, in addition to citrus from Colima and a part of Jalisco, which were already under restriction, are prohibited entry into the U.S. Key limes from any part of Mexico are also prohibited entry. USDA held 3 public meetings from January 26 to February 8 in Florida, Texas and California on citrus canker to inform the citrus industry and others on the status of citrus canker and how it is being dealt with. Citrus canker is not found in the United States.

Quarantine Facilities.--USDA opened a new animal quarantine facility in Los Angeles, CA, in time to be used to quarantine horses bound for the summer Olympic equestrian events. The new facility can handle up to 48 horses at the same time in individually air-controlled stalls.

Pest Emergency Response.--USDA and state pest control experts conducted a test the week of March 26 in Glynco, GA, to gauge USDA's capability to respond to a pest emergency. "Operation Sting" involved the Varroa mite, a destructive honeybee parasite which has never been officially found in the United States. State and federal plant protection and quarantine officials mobilized quickly to develop strategies to eradicate the infestation. The exercise was only a test.

Fire Ants.--USDA and its Brazilian counterpart, Empresa Brazileira de Pedquisa Agropecuaria, have signed a cooperative agreement to fund a joint research project for $100,000. Scientists are searching the Brazilian homeland of imported red fire ants for biological weapons to combat these pests which hamper farming in the southern U.S. Imported fire ants have no specific natural enemies in the United States and have been combatted chemically with Mirex. Environmental Protection Agency cancellation of Mirex's registration in 1978 intensified the need for research in biological agents to control the ants.

Fines for Undeclared Agricultural Items.--USDA instituted a new procedure to fine smugglers of agricultural commodities on the spot. The procedure has been tested at airports in Atlanta, Seattle and Philadelphia and at the U.S. Border Station in El Paso, Texas. Violators are fined $25 to $50 under a new civil penalties authority granted to APHIS.

Pseudorabies Eradication Project.--As of March 22, five states are now participating in a test to eradicate pseudorabies. The test, currently underway in North Carolina, Illinois, Iowa, Pennsylvania and Wisconsin, is an attempt to keep pseudorabies out of an area after individual farms have eradicated the disease. Eradication techniques being evaluated include total restocking after sick pigs are removed and premises are cleaned and disinfected; testing all animals and removing the infected ones; and segregating young pigs and using them for further breeding to break the disease cycle. In Illinois and Iowa, animal health specialists go from farm to farm to determine the disease status and help producers work out an individual program to eliminate the problem. Participation is voluntary. In Pennsylvania, Wisconsin and North Carolina, breeding swine going through slaughter plants have their blood tested for pseudorabies antibodies. Positive findings are traced to the farm of origin and additional swine are tested to confirm infection. When an infected herd is identified, desease control officials take steps to eliminate the disease. The State-Federal projects are scheduled to end September 30, 1985, when results will be compared with findings in Ohio which has been conducting its own pseudorabies project.

Aerial Herbicide Application.--USDA's Forest Service deferred, as of April 2, all aerial application of herbicides on national forest lands until procedures are developed to address recent developed to address recent court rulings. The rulings concluded that the Forest Service failed to comply with the procedural requirements of the National Environmental Policy Act. The action pertains only to herbicide use. Other pesticide applications, including aerial, may continue where such use complies with current policy and is in accordance with strict pesticide regulations.

Bee Mite Survey.--A 50-mile wide strip along the Mexican border from the Gulf of Mexico to the Pacific Ocean is being surveyed for evidence of exotic mites infesting honey bee colonies. The acarine mite, which is known to exist in Mexico was found as close as 150 miles from the U.S. border in a Mexican survey two years ago. After the current survey is complete, State and Federal officials will maintain an alert for any future appearance of the mite.

Witchweed Control.--USDA changed the areas of North and South Carolina regulated to prevent the spread of witchweed on April 25. Witchweed, a parasitic plant, is confined at present to southeastern North Carolina and northeastern South Carolina. USDA conducts indepth witchweed surveys in infested and surrounding areas to locate new infestations and judge the effectiveness of control work. Plant protection officials regulate the movement of certain articles and materials into areas not affected by witchweed. USDA lifted Federal regulations from all or parts of 13 North Carolina counties and three South Carolina counties and imposed regulations on new portions of seven North Carolina counties and one South Carolina county.

Corn Cyst Nematode in Maryland.-- Portions of four counties in Maryland are being put under USDA regulations to prevent spread of the corn cyst nematode, as of May 1. The nematode can be spread through movement of infested soil or equipment carrying the soil. Regulated articles include: soil, compost, sand, gravel and similar materials separately or clinging to equipment; plants with soil on the roots, except house plants grown in a residence and not for sale; grass sod; used mechanized soil tillage or harvesting equipment; used mechanized soil-moving equipment; and any other articles determined to present a risk of spreading the pest. These articles may not be moved out of the regulated area unless they are accompanied by a certificate issued by a state or Federal inspector stating that the article is free of corn cyst nematode or unlikely to cause spread.

Finance

Emergency Agricultural Credit Act of 1984.--Signed into law on April 10, the Emergency Agricultural Credit Act of 1984 makes major and immediate changes in the FmHA loan program. Disaster emergency and regular farm operating loans are most immediately affected. The law opens the disaster emergency loan program to qualified farmers in any county bordering a county designated eligible for emergency loans resulting from a natural disaster occurring after May 30, 1983. About 1,600 of the nation's 3,000 agricultural counties have been so designated, largely because of last year's drought. Another provision in the law expands from 6 to 8 months the time period following the designation in which farmers may apply for emergency loans. For operating loans, the limit for insured--or direct--loans for a single borrower was raised to $200,000 from $100,000 and to $400,000 from $200,000 for guaranteed loans. This applies only to new loans. For operating, farm ownership and disaster emergency direct loans that are deferred, consolidated, rescheduled or reamortized, the interest rate will be set at the original note rate, or the rate in effect at the time the loan is changed, whichever is lower. Other changes include a requirement that all FmHA farm borrowers be notified "as soon as practicable" of the provisions of limited resource loans --which carry lower interest rates-- for operating and ownership loans; a limitation on the purchase of land by FmHA employees involved in the loan review process, whenever another person has

applied for and been denied an FmHA loan to buy the same land; a provision for a study of the feasibility of permitting delinquent FmHA farm borrowers to repay their loans with earnings from timber production on land diverted from crops or pasture; and a provision that $310 million be made available for insured economic emergency loans this fiscal year and any of the $290 million portion not used for guaranteed economic emergency loans may also be used for insured economic emergency loans. The law also restates an exisiting requirement that 20 percent of operating and ownership loan funds be allotted to limited resource borrowers. However, recognizing that this may not be possible in every state, those state offices unable to meet the 20 percent goal for operating loans may use remaining funds for regular operating loans.

CCC Loan Rate.--The interest rate on CCC loans has risen over the period of November through May. In November, the rate stood at 9-7/8 percent. It rose to 10 percent in January and remained there until it dipped to 9-7/8 percent again in March. It rose by one-half percent to 10-3/8 in April and another one-half percent to 10-7/8 in May.

Changes in Housing Regulations.--FmHA began preparing new housing regulations in December to comply with a new law signed on November 30, 1983. The changes simplify housing assistance by requiring FmHA, the Federal Housing Administration and the Veterans Administration to operate under the same rules. The law gives FmHA new authority including: single family mortgages of up to 38 years; loans for manufactured housing units, including the lots on which they are located; and a new program of housing preservation grants to rehabilitate single and multi-family housing.

Improved Financial Planning.--USDA announced on December 29, a new system of statements for financial planning. The "Coordinated Financial Statements" include a balance sheet and statement of the owners's equity; a income statement, showing all income and expenses; a statement of change in fnancial position, indicating new borrowings, withdrawals and debt payment of the past year; and a cash flow statement, showing cash income and outgo for the previous year and projections for the coming year.

Emergency Loans.--As of February 18, 1,529 of the Nation's 3,168 counties were eligible for weather disaster loans from the Farmers Home Administration (FmHA). Farmers with qualifying losses in the designated counties are eligible for low-interest loans for up to 80 percent of their weather-related losses. Interest rates are 5 percent for the first $100,000 borrowed and 8 percent on the remainder. The loan limit is $500,000. Farmers who can obtain credit elsewhere can receive an emergency loan at the market rate of 13.75 percent.

On March 14, USDA announced a memorandum of understanding between FmHA and the Small Business Administration (SBA) that both agencies will make disaster loans to farmers until new legislation is enacted to place the responsibility entirely with USDA. Only a limited number of farmers were eligible for SBA loans until legislation was passed in late 1983 broadening SBA loan availability to eligible farmers generally. Reports of some farmers obtaining loans from both agencies without the agencies' knowledge led to earlier restrictions adopted in 1980.

USDA operating loans to family farmers are expected to reach an all-time high of almost $2 billion this fiscal year. Through January, FmHA approved 10,756 operating loans for $364 million, a record level for this time of the Fiscal

Year. Operating loans for fiscal 1983 totaled $1.7 billion, $1.68 billion in insured and $50 million in guaranteed loans, the highest total in the agency's history.

Home Loan Delinquency Rate.--The delinquency rate for singlefamily home loans made by FmHA has declined steadily for the second consecutive year. The delinquency rate in January was 14.7 percent of the FmHA total of almost one million single-family loans, down fron 21.7 percent in January of 1983.

FmHA Loan Appeal Procedures.--As of April 17, FmHA began strengthening home loan appeals procedures by appointing out-of-State review officers in some cases.

Community Loan Program.--On March 14, USDA proposed changes in loan regulations to include single person households when determining FnHA community loan interest rates and grant funds. Previously, median "family" income, which excluded persons living alone, was used to determine interest rates and grant amounts. The proposal would include single people in a median "household" income determination. The old definition excluded about 27 percent of the people counted in the 1980 census, many of whom are persons with low incomes such as widows or widowers. The proposed rule change would affect both the water and waste disposal loan and grant programs and the community facilities loan program.

Approved Lender Program.--On March 28, USDA announced an approved lender program to accelerate processing of FmHA guaranteed loans. Under the program, qualified private lenders will be approved in advance to process FmHA operating, farm ownership, and economic emergency guaranteed loans. The approved lender program will speed up the processing time for guaranteed farm loans. The new program particularly helps those farmers who do not quite meet either the credit standards of private lenders, nor suffer serious enough financial difficulties to be eligible for consideration by the FmHA, a lender of last resort. The new program is the result of recommendations made by a study group of government and private credit specialists, including representatives of FmHA, the American Bankers Association, the Cooperative Farm Credit System and the Independent Bankers Association of America.

Nutrition

Canned Meat Donations.--USDA began buying canned beef on February 3, and canned pork on February 27 to donate to soup kitchens and other charities and to help stabilize cattle prices.

Food Stamp Fraud.--USDA and the U.S. Secret Service signed an agreement on January 23 specifying the agencies' responsibilities for conducting criminal investigations of food stamp program violations. USDA's Office of Inspector General concentrates on persons who administer or benefit from the food stamp program, such as Federal or State employees of the program, grocers and food stamp recipients. The Secret Service focuses on the outside criminal element, such as food stamp thieves or counterfeiters, and persons suspected of trafficking in food stamps, who are not directly involved in the program.

Mature Poultry Kidneys Prohibited.--Effective February 29, USDA no longer permits kidneys from mature chickens and turkeys to be used in human food due to the high concentration of the heavy metal cadmium they contain. This regulation primarily affects mechanically deboned poultry, a permitted ingredient in

processed products such as poultry frankfurters. Most ready-to-cook poultry and parts sold in retail stores are from young birds which do not contain significant amounts of cadmium and are not affected by this regulation.

Food Assistance.--In fiscal year 1983, USDA distributed 2.5 billion pounds of food worth $2.1 billion. About 750 million pounds of foods were set aside for needy households and for congregate feeding sites, such as soup kitchens. The food, worth $1 billion, consisted of processed cheese, bulk Cheddar, nonfat dry milk, honey, rice, cornmeal and flour. The school lunch program received 1.2 billion pounds of donated food, valued at $805 million, or 22 cents per lunch. The donated foods were meat, poultry, fruits and vegetables, cereals and grain products, peanut and oil products and dairy products. $75 million in food went to the states for congregate feeding under the Temporary Emergency Food Assistance Act of 1983. In addition to the cheese, butter, nonfat dry milk and other foods these sites had already been receiving, the donations included poultry products, pork, beef, fruits, vegetables, and fish products.

Food Stamp Program Administration.--This fall three States will begin testing different ideas for cutting costs and reducing error in the food stamp program. North Carolina will test a new computer-assisted interview for people applying for food stamps; Maryland will use brochures and videotapes to reach food stamp applicants to tell them what information they must report to the caseworkers; and in Vermont, eligibility workers will be trained to detect fraud and errors through improved interview skills.

School Lunch Reporting System.--On April 2, USDA proposed a streamlined reporting method to reduce mistakes and intentional misreporting by collecting more accurate information at the beginning of the school year.

International Actions

Blended Credit.--In February, USDA announced blended credit programs to Morocco, Egypt, Tunisia and Algeria that will enable those countries to purchase U.S. wheat during fiscal 1984. Under the program, interest-free direct Government export credits are blended with government-guaranteed private credits to produce a lower interest rate.

P.L. 480.--On April 11, USDA issued its revised country and commodity allocations for Fiscal 1984 under Titles I and III of Public Law 480. Current program plans provide for distribution of $791 million in commodity shipments, unchanged from the previous quarter. Of this amount, $763.5 million is allocated and $27.5 million is being held in a reserve to meet emergency situations and provide additional assistance to countries with Fiscal 1984 programs. Food aid shipments are presently expected to total about 4 million metric tons, grain equivalent. USDA increased the allocations for Morocco and Tunisia and made quantity changes for some country programs. The revised allocations meet the legal requirement that at least 75 percent of food aid commoidities be allocated to friendly countries meeting the International Development Association poverty criterion -- currently those with an anuual per capita income of $805 or less. Among other factors, the program takes into account variations in commodity and budget availabilities in the U.S. and participating countries; changing economic and foreign policy situations, including human rights assessments; potential for market development; fluctuations in commodity prices; availability of handling, storage and distribution facilities; and possible disincencentives to local production.

On January 13, a Public Law 480, Title I agreement was signed with the Dominican Republic providing for the sale of $20 million worth of U.S. corn and/or sorghum. On April 24, Bolivia was authorized to purchase $10 million worth of U.S. wheat under a Title I/III credit sales agreement of May 31, 1978 as amended April 13, 1984. On February 2, USDA signed an agreement with Morocco to finance the sale of $25 million in U.S. wheat to that country in 1984 under Title I. Under terms of the agreement, Morocco plans to conduct agricultural selfhelp measures to improve the production, storage and distribution of farm commodities, including studies of production in rainfed areas and actions to advance agricultural research and extension efforts.

U.S.- Mexico Trade Agreement.--USDA and Mexico signed an agreement on April 16, which will make possible the supply of at least 6.1 million tons of U.S. agricultural products to Mexico during 1984, marking the fifth annual agreement between the two countries. Commodities specified in the agreement include corn, sorghum, soybeans, sunflowerseed, cottonseed and tallow. The purchase of these commodities will be partially financed under a previously announced $790 million line of CCC export credit guarantees. The agreement also provides for direct CCC sales of powdered milk, semiannual consultations on Mexican import needs and U.S.- Mexican transportation coordination.

U.S.- USSR Grain Consultations.--Meetings were held in London on January 24-25 for the first year of the new U.S.- USSR grain agreement which was signed in August of 1983 and extends through September 30, 1988. Discussed in the meeting were the world grain supply and demand situation, U.S. supplies, possible Soviet import needs, the record of purchases for shipment thus far this year and other related needs. At the meetings, the Soviets confirmed that thus far, they have purchased approximatley 4 million tons of U.S. wheat, 3.5 million tons of U.S. corn and 409,000 tons of U.S. soybeans for delivery in the first agreement year. At this time last year, purchases of wheat and corn for shipment in the 7th year of the old agreement totaled about 6 million tons. The current agreement calls for minimum annual shipments of 9 million tons, of which at least 4 million tons must be wheat, and 4 million tons corn. The Soviets may purchase up to 12 million tons of wheat and/or corn without prior consultation. The U.S. indicated that an additional 10 million tons of U.S. wheat and corn would be available for sale to the Soviet Union during the current agreement year (October 1, 1983 - September 30, 1984) without the necessity of further consultations. The Soviets did not indicate that they would need to buy the full 22 million tons now available from the U.S., due to favorable crop conditions for the coming year and ample supplies available from other exporting nations. It was agreed that the next regular session of consultations be held in Moscow in late May and that the autummn session would be held in the U.S. in mid-October.

Meat Imports.--Based on USDA estimates of available supplies, imports of beef and certain other meats should total not more than 1,190 million pounds in 1984. This is about 38 million pounds below the 1984 trigger level of 1,228 million pounds which would require quotas on imports under the Meat Import Act of 1979.

Export Credit Funding.--On December 14, USDA announced that funding authority for the export credit guarantee program for Fiscal 1984 had been increased by $1 billion to $4 billion. Under the program, the CCC guarantees repayment of loans made by commercial U.S. banks to foreign purchasers of U.S. agricultural products.

CCC Credit Guarantees.--Credit guarantees have been approved for Brazil, ($50 million in wheat), Chile, ($40 million in wheat), Portugal, ($65 million in feed grains and wheat), and Turkey, ($35 million wheat and feed grains). Credit guarantee lines have been amended for El Salvador to include more types of vegetable oils and for Yugoslavia, to extend the time limit on the guaranteed credit from September 30, 1984 through December 31, 1984.

Court Upholds USDA Authority to Deny Registration.--USDA announced on December 19 that a U.S. Appeals Court had upheld USDA authority to refuse the registration of anyone to operate as a market agency when the registration would circumvent a suspension order. The court's ruling strongly affirms USDA's long-established position that the provisions of a suspension order must not be circumvented. Market agencies are required, under the Packers and Stockyard Act, to protect funds due to consignors from the sale of their livestock. The act is an antitrust, fair trade practice and payment protection law designed to maintain integrity in the marketing of livestock, poultry and meat and in the marketplace.

Foreign Crop Information.--On January 23, USDA began a pilot project to make foreign crop and market information available electronically. The new system increases public access to timely information on foreing agricultural developments and markets. The new system is available to all people who have compatible equipment, however the volume and format of information placed on the system is targeted toward individuals and organizations that provide further dissemination of such information to agricultural audiences. For information on how to use the new system, call H. Lee Schatz (202) 382-8924.

Trade Office in Algeria.--On February 2, the Secretary of Agriculture signed an agreement with Algeria on agricultural cooperation, trade and technical assistance. The U.S. will open a trade office in Algeria to promote the sales of U.S. food and fiber.

Agreement with Honduras.--The U.S. signed a P.L. 480, Title I agreement with Honduras on December 16 to provide for the sale of $3.0 million worth of U.S. agricultural commodities or approximately 17,000 metric tons of wheat and/or wheat flour. Honduras agreed to a number of self-help measures including strengthening of the Honduran National Agricultural University, increasing credit to agricultural cooperatives and divestiture of public organizations. In addition, a private sector Livestock Development Fund will be created and recommendations of the Presidential Agricultural Task Force concerning reforms in the forestry sector and promotion of greater investment in agriculture will be implemented.

Agreement with Guatemala.--On March 6, the United States and Guatemala signed an agreement under which the U.S. will provide technical assistance and training to help Guatemala develop its agricultural sector. USDA will help Guatemala develop and carry out agricultural research and extension programs and will provide training for that country's agricultural ministry staff. Guatemala will reimburse USDA for the cost of its services.

Dairy Donations.--The United States has donated 115,730 tons of surplus dairy products thus far in 1984 to eight countries under Section 416 of the Agricultural Act of 1949. On April 10, the U.S. donated 5,228 tons of surplus dairy products to the Dominican Republic, including 2,228 tons of nonfat dry milk, 2,000 tons of butter and 1,000 tons of processed cheese. The United States and the Dominican Republic signed an agreement in which that country will pay all ocean transportation costs for the donated goods, which have an estimated world market value of $5.6

million. The donated products will be distributed to 100,000 of the poorest families in the most disadvantaged areas of the country The donations are being made under Section 416 of the Agricultural Act of 1949.

Disease and Pest Control.--On January 16, Denmark was again recognized as free of foot-and-mouth disease, which removes certain restrictions on Danish meats and livestock shipped to the United States. Certain restrictions on Danish importers will be maintained since Denmark has a commom border with the Federal Republic of Germany, which USDA does not recognize as foot-and-mouth free.

Fourteen countries were notified that in early January their eligibility to export meat and poultry to the U.S. was removed because of deficiencies in their inspection programs. The countries are: Dominican Republic, El Slavador, Haiti, Mexico, Nicaragua, Panama, Honduras, Romania, Sweden, Finland, Belgium, Switzerland, Ireland, and France. The 1981 farm bill requires exporting countries to have residue testing programs equal to USDA's and to have equivalent systems for preventing species violations, such as horsemeat misrepresented as beef. To regain export eligibility, each country must correct all deficiencies and demonstrate that its inspection system is as effective as ours. Imports from these 14 countries represent a small fraction of the U.S. meat supply.

Automated Inspection System.--USDA has proposed updating the inspection regulations for imported meat and poultry. A new nationwide computer system allows USDA to concentrate inspection on products and plants that present the highest risk. Inspection efficiency is increased and costs reduced under the system, while consumer protection is maintained.

Poultry and Egg Promotion.--USDA announced on April 5, that together with the USA Poultry and Egg Export Council it has begun a cooperative effort to develop overseas market activities for poultry and eggs. The council, sponsored by the Southeastern Poultry and Egg Association, has taken over both the activites and overseas staff of the Poultry and Egg Institute of America and has permanent marketing representatives in Hamburg, London, Tokyo, Hong Kong and Singapore, and contract representatives in Algiers, Beirut and Johannesburg.

Imports.--USDA banned importation of swine, cattle, sheep or other ruminants and fresh, chilled or frozen meats of such animals from Chile to the United States because foot-andmouth disease was found in cattle in Chile. Denmark was declared free of foot-and-mouth disease, a highly contagious and destructive disease of cloven-hooved livestock, and is again eligible to export livestock and meat products to the United States.

Departmental Actions

Crop Reporting Board.--USDA reassigned Crop Reporting Board personnel in a move aimed at strengthening the leadership and analysis capabilities of the board. Those reassigned include: Wilbert Walther, deputy administrator and chairman of the Crop Reporting Board who traded positions with Raymond Hancock, director of the state statistical division; Donald Barrowman, director, estimates division, who traded positions with Richard Allen, director of the survey division; Robert Schulte, chief, crops branch became assistant director of the estimates division; John Buche, head, grain section, traded positions with John Witzig, head of the dairy and cold storage section.

Rail Deregulation Workshops.--USDA sponsored two one-day workshops in North Carolina and Georgia in February to help grain shippers and receivers adapt to railroad deregulation and to document their views on its effects.

Lawn Seed Regulations.--USDA has adopted changes in Federal Seed Act regulations, as of February 6, for lawn and turf seed mixtures that will allow longer periods between germination tests and shipment of certain seed. The new rule requires each component of a seed mixture to be listed in order of predominance. Only the month and year of the oldest test date among the component tests will be required on the seed label. The time allowed between germination tests and shipment of seed is extended from five to 15 months for certain lawn and turf seed because current information indicates that certain grasses maintain germination qualities beyond 15 months. The changes apply to Bentgrass, Kentucky Bluegrasss, Chewings fescue, Hard fescue, Red fescue, Tall fescue, annual ryegrass, and perennial ryegrass.

Floral Order.--Producers and importers of flowers and plants have rejected a proposed national floral research, promotion and consumer information order. The order would have authorized assessments for research, promotion and consumer education from producers and importers whose annual sales were greater than $100,000.

Public Input on Farm Policy.--The Secretary of Agriculture scheduled several meetings around the country to elicit public input on farm policy for the upcoming 1985 farm bill. Meetings were held in Chicago, on April 18, University of California campus, Riverside on April 28,

Warehouse Functions.--Warehouse functions of USDA's warehouse and seed division were transferred on April 17 from the Agricultural Marketing Service to the Agricultural Stabilization and Conservation Service. The transfer includes all personnel and activities related to Washington and field offices responsible for administering the U.S. Warehouse Act and carrying out warehouse examinations.

Rural Development Policy.--On April 16, USDA announced a new Government-wide rural development policy designed to reinforce the tie between agriculture and rural America. The policy, outlined in a report, entitled "Rural Communities and the American Farm; A Partnership for Progress," recognizes that agriculture and rural communities derive strength from each other's successes. The report proposes that farm-related and other rural enterprises be developed; that USDA farm policies be decided after consideration of their effect on the non-farm economy; and that better use be made of USDA Home Administration loans to achieve the goal of stabilizing and improving farm income. The report recommends that other federal departments consider the rural impact of all their funding and program decisions; that a rural affairs staff position be designated in all apppropriate federal agencies; and that all federal rural development activites regularly be reported to USDA. It suggests that additional federal technical assistance be extended to rural entrepreneurs; that a national program be inaugurated to recruit retired govenment employees as volunteers to assist in strengthening rural communities; that a study be made of the impact of telephone deregulation on rural areas; that a pilot project be initiated to help States and local Governments assiss local transportation conditions; and that new funding priorities be made for rural natural resource management.

"Discriminatory" Practices.--USDA announced on April 13, changes in ASCS rules to allow either spouse to sign USDA documents on behalf of the other in connection with government price support and acreage reduction programs. Previously, only owners or operators whose names were on record at the county office were permitted to sign USDA program documents.

Plant Variety Protection.--USDA issued certificates of protection for new varieties of cauliflower, tomato, corn, dwarf bean, peanut, perennial ryegrass, pumpkin, soybean, peas, cowpeas, tobacco, and vinca rosea. Developers will have the exclusive right to reproduce their products in the United States for 18 years.

As of March 6, USDA increased its fee for plant variety protection from $1,500 to $2,000 to cover costs of administering the program.

POLICY THROUGH LEGISLATION

Agricultural Programs Adjustment Act. (P.L. 98-258) This law defines the programs for the major crops for 1984 and 1985. For wheat, the target price has been lowered from $4.45 to $4.38 per bushel for 1984 and 1985. The law provides for a total acreage cutback of at least 30 percent consisting of 10 percent paid diversion and 20 percent payment-in-kind.

The target price for corn is frozen at $3.03 per bushel for the 1985 program, 15 cents lower than the price dictated by the 1981 Act. If the corn carryover level is projected to exceed 1.1 billion bushels on September 30, 1985, the Secretary must provide for an acreage cutback of 5 to 20 percent through a combination of acreage reduction and paid diversion. As with the wheat provision, 50 percent of the diversion payment would be made at the time of settlement, with a payment rate for corn of at least $1.50 per bushel.

The law freezes the upland cotton target price at 81 cents per pound, instead of the 1981 Act level of 86 cents per pound and provides for a total acreage cutback of at least 25 percent if the carryover level on July 31, 1985 is expected to exceed 3.7 million bales. The target price for rice is frozen at $11.90 per cwt instead of the $12.40 in the 1981 law and the Secretary must provide for a total acreage cutback of at least 25 percent if the carryover level on July 31, 1985 is likely to exceed 25 million cwt.

Credit provisions of the law, called the "Emergency Agricultural Credit Act of 1984," make major changes in FmHA loan programs. The law opens the disaster emergency loan program to qualified farmers in any county bordering a county designated eligible for emergency loans resulting from a natural disaster occurring after May 30, 1983. About 1,600 of the nation's 3,000 agricultural counties have been so designated, largely because of last year's drought. Another provision in the law expands from 6 to 8 months the time period following the designation in which farmers may apply for emergency loans. For operating loans, the limit for insured--or direct--loans for a single borrower was raised to $200,000 from $100,000 and to $400,000 from $200,000 for guaranteed loans. This applies only to new loans. For operating, farm ownership and disaster emergency direct loans that are deferred, consolidated, rescheduled or reamortized, the interest rate will be set at the original note rate, or the rate in effect at the time the loan is changed, whichever is lower.

Other changes include a requirement that all FmHA farm borrowers be notified "as soon as practicable" of the provisions of limited resource loans --which

carry lower interest rates-- for operating and ownership loans; a limitation on the purchase of land by FmHA employees involved in the loan review process, whenever another person has applied for and been denied an FmHA loan to buy the same land; a provision for a study of the feasibility of permitting delinquent FmHA farm borrowers to repay their loans with earnings from timber production on land diverted from crops or pasture; and a provision that $310 million be made available for insured economic emergency loans this fiscal year and any of the $290 million portion not used for guaranteed economic emergency loans may also be used for insured economic emergency loans. The law also restates an exisiting requirement that 20 percent of operating and ownership loan funds be allotted to limited resource borrowers. However, recognizing that this may not be possible in every State, those State offices unable to meet the 20 percent goal for operating loans may use remaining funds for regular operating loans.

Tobacco Adjustment Act of 1983.(P.L. 98-180) This law is is part of the Dairy and Tobacco Adjustment Act, signed on November 29, 1983. (For information on the Dairy Adjustment Act, see PRN 16.) The legislation froze price supports in 1984 for flue-cured tobacco at the 1982 level. 1985 supports will be adjusted if the 3-year moving average index of prices paid by farmers increases by at least five percent. The Secretary of Agriculture retains authority to approve as little as 65 percent of any increase called for by the formula in any given year.

The support price for burley and other types of tobacco will be set so as not to narrow the normal price support differential between them and flue-cured. Beginning in 1985 for burley and in 1986 for other types, determination of the support level will revert to the formula in existing law. The Secretary of Agriculture will have the authority to reduce price supports on less marketable grades of flue-cured tobacco, if so requested by the Flue-Cured Stabilization Cooperative. These price-support reductions cannot exceed 12 percent of the support rate that would otherwise be established. The reductions are not included in determining the weighted average support rates for eligible grades of flue-cured tobacco.

Lease and transfer of flue-cured tobacco will be abolished beginning in 1987. For the 1985 and 1986 crops, payment for leasing must be made after the tobacco is marketed. Beginning in 1987, flue-cured quota owners can grow the quota on land to which the quota is assigned; rent the quota to an active grower who will produce the crop on the land to which the quota is assigned or sell the quota to an active grower in the county. The seller must allow the buyer up to five years to pay for the quota.

Imported tobacco, except for Oriental and cigar tobacco, must be inspected for grade and quality to the extent feasible. Imported cigar and Oriental tobacco must be accompanied by a certificate stating the kind and type of tobacco and -in the case of cigar tobacco- the intended end use.

Agricultural Adjustment Act and Potato Research and Promotion Act Amendments. (P.L. 98-171) This law authorizes marketing research and promotion projects, including paid advertising for filberts, as well as almonds. It also amends the Potato Research and Promotion Act by limiting the assessment rate on potatoes to not more than one cent per 100 pounds of potatoes or one half of one percent of average price received by potato growers for the ten calendar years immediately preceding. Any requirement for inclusion of public representatives on the board, and payment to USDA for any referendum and its administrative costs are not subject to producer approval.

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University of Illinois
at Urbana-Champaign
Agricultural Experiment Station
Mumford Hall
Urbana, Illinois 61801

R. G. Cragle, Director
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